BEASLEY BROADCAST GROUP INC
Form 10-Q
November 06, 2017
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

# FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the Quarterly Period Ended September 30, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**Commission File No. 000-29253**

**BEASLEY BROADCAST GROUP, INC.**

**(Exact Name of Registrant as Specified in Its Charter)**

| | |
|---|---|
| **Delaware** | **65-0960915** |
| **(State of** | **(I.R.S. Employer** |
| **Incorporation)** | **Identification Number)** |

**3033 Riviera Drive, Suite 200**

**Naples, Florida 34103**

**(Address of Principal Executive Offices and Zip Code)**

**(239) 263-5000**

**(Registrant s Telephone Number, Including Area Code)**

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

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

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

| | | |
|---|---|---|
| Large accelerated filer | | Accelerated filer |
| Non-accelerated filer | (Do not check if a smaller reporting company) | Smaller reporting company |
| Emerging growth company | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

Class A Common Stock, $0.001 par value, 12,124,389 Shares Outstanding as of October 30, 2017

Class B Common Stock, $0.001 par value, 16,662,743 Shares Outstanding as of October 30, 2017

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**BEASLEY BROADCAST GROUP, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

| | December 31, 2016 | September 30, 2017 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 20,325,415 | $ 15,454,914 |
| Accounts receivable, less allowance for doubtful accounts of $1,537,353 in 2016 and $1,481,779 in 2017 | 48,186,463 | 45,350,450 |
| Prepaid expenses | 4,909,799 | 7,056,426 |
| Merger consideration receivable | 7,877,577 | 15,543,722 |
| Beneficial interest in trust | 19,947,261 | |
| Other current assets | 2,172,892 | 1,812,467 |
| Total current assets | 103,419,407 | 85,217,979 |
| Property and equipment, net | 60,166,812 | 59,107,836 |
| FCC broadcasting licenses | 476,571,140 | 477,977,719 |
| Goodwill | 3,393,234 | 3,393,234 |
| Other intangibles, net | 535,582 | 348,025 |
| Assets held for sale | 11,320,286 | |
| Other assets | 6,263,587 | 5,875,234 |
| Total assets | $ 661,670,048 | $ 631,920,027 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Current installments of long-term debt | $ 6,686,077 | $ 63,284 |
| Accounts payable | 6,087,436 | 7,845,623 |
| Other current liabilities | 21,173,419 | 18,860,796 |
| Total current liabilities | 33,946,932 | 26,769,703 |
| Due to related parties | 855,753 | 783,219 |
| Long-term debt, net of current installments and unamortized debt issuance costs | 247,692,171 | 206,909,580 |
| Deferred tax liabilities | 160,539,268 | 166,412,419 |
| Other long-term liabilities | 16,144,301 | 14,029,118 |
| Total liabilities | 459,178,425 | 414,904,039 |
| Commitments and contingencies | | |
| Stockholders equity: | | |
| Preferred stock, $0.001 par value; 10,000,000 shares authorized; none issued | | |
| Class A common stock, $0.001 par value; 150,000,000 shares authorized; 15,112,529 issued and 12,174,542 outstanding in 2016; 15,111,779 issued and 12,124,389 outstanding in 2017 | 15,113 | 15,112 |

| | | |
|---|---|---|
| Class B common stock, $0.001 par value; 75,000,000 shares authorized; 16,662,743 issued and outstanding in 2016 and 2017 | 16,662 | 16,662 |
| Additional paid-in capital | 146,339,925 | 147,853,603 |
| Treasury stock, Class A common stock; 2,937,987 shares in 2016; 2,987,390 shares in 2017 | (15,560,021) | (16,066,431) |
| Retained earnings | 72,401,766 | 86,006,927 |
| Accumulated other comprehensive loss | (721,822) | (809,885) |
| Total stockholders equity | 202,491,623 | 217,015,988 |
| Total liabilities and stockholders' equity | $ 661,670,048 | $ 631,920,027 |

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**BEASLEY BROADCAST GROUP, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

| | Three Months Ended September 30, 2016 | Three Months Ended September 30, 2017 |
|---|---|---|
| Net revenue | $ 27,729,026 | $ 58,902,050 |
| Operating expenses: | | |
| Station operating expenses (including stock-based compensation of $36,412 in 2016 and $69,815 in 2017 and excluding depreciation and amortization shown separately below) | 19,519,464 | 42,481,721 |
| Corporate general and administrative expenses (including stock-based compensation of $164,752 in 2016 and $472,167 in 2017) | 2,394,970 | 4,026,521 |
| Merger expenses | 1,200,573 | |
| Other operating expenses | | 290,581 |
| Depreciation and amortization | 816,394 | 1,453,167 |
| Change in fair value of contingent consideration | | (2,524,195) |
| Total operating expenses | 23,931,401 | 45,727,795 |
| Operating income | 3,797,625 | 13,174,255 |
| Non-operating income (expense): | | |
| Interest expense | (855,378) | (4,717,530) |
| Other income (expense), net | 316,126 | 46,219 |
| Income before income taxes | 3,258,373 | 8,502,944 |
| Income tax expense | 1,564,005 | 2,432,740 |
| Net income | 1,694,368 | 6,070,204 |
| Other comprehensive income: | | |
| Unrealized loss on securities (net of income tax benefit of $3,038 in 2016 and $726 in 2017) | (4,958) | (1,119) |
| Comprehensive income | $ 1,689,410 | $ 6,069,085 |
| Net income per Class A and B common share: | | |
| Basic and diluted | $ 0.07 | $ 0.22 |
| Dividends declared per common share | $ 0.045 | $ 0.045 |
| Weighted average shares outstanding: | | |
| Basic | 23,025,764 | 27,705,736 |
| Diluted | 23,176,632 | 27,907,570 |

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**BEASLEY BROADCAST GROUP, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

| | Nine Months Ended September 30, 2016 | Nine Months Ended September 30, 2017 |
|---|---|---|
| Net revenue | $ 82,961,354 | $ 173,656,015 |
| Operating expenses: | | |
| Station operating expenses (including stock-based compensation of $109,236 in 2016 and $203,530 in 2017 and excluding depreciation and amortization shown separately below) | 59,235,576 | 131,344,313 |
| Corporate general and administrative expenses (including stock-based compensation of $532,608 in 2016 and $1,310,147 in 2017) | 7,339,588 | 11,745,100 |
| Merger and disposition expenses | 1,200,573 | 746,070 |
| Other operating expenses | | 871,743 |
| Depreciation and amortization | 2,486,381 | 4,575,646 |
| Gain on dispositions, net | | (3,707,993) |
| Change in fair value of contingent consideration | | (7,666,145) |
| Termination of postretirement benefits plan | | (1,812,448) |
| Total operating expenses | 70,262,118 | 136,096,286 |
| Operating income | 12,699,236 | 37,559,729 |
| Non-operating income (expense): | | |
| Interest expense | (2,742,462) | (14,296,913) |
| Other income (expense), net | 545,537 | 441,936 |
| Income before income taxes | 10,502,311 | 23,704,752 |
| Income tax expense | 4,517,712 | 6,242,531 |
| Net income | 5,984,599 | 17,462,221 |
| Other comprehensive income: | | |
| Unrealized losses on securities (net of income tax benefit of $33,356 in 2016 and $16,463 in 2017) | (54,445) | (25,364) |
| Unrecognized actuarial losses on postretirement plans (net of income tax benefit of $40,697) | | (62,699) |
| Comprehensive income | $ 5,930,154 | $ 17,374,158 |
| Net income per Class A and B common share: | | |
| Basic and diluted | $ 0.26 | $ 0.63 |
| Dividends declared per common share | $ 0.135 | $ 0.135 |
| Weighted average shares outstanding: | | |
| Basic | 23,010,933 | 27,690,199 |

| | | |
|---|---|---|
| Diluted | 23,142,178 | 27,886,984 |

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**BEASLEY BROADCAST GROUP, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

| | Nine Months Ended September 30, 2016 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 5,984,599 | $ 17,462,221 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Stock-based compensation | 641,844 | 1,513,677 |
| Provision for bad debts | 653,934 | 1,138,019 |
| Depreciation and amortization | 2,486,381 | 4,575,646 |
| Gain on dispositions | | (3,707,993) |
| Change in fair value of contingent consideration | | (7,666,145) |
| Termination of postretirement benefits plan | | (1,812,448) |
| Amortization of loan fees | 275,247 | 1,640,424 |
| Deferred income taxes | 1,431,302 | 5,785,088 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 18,202 | 1,697,994 |
| Prepaid expenses | (108,344) | (2,146,627) |
| Other assets | (693,660) | 921,482 |
| Accounts payable | 553,004 | 1,758,187 |
| Other liabilities | 2,003,539 | (3,453,897) |
| Other operating activities | (107,575) | 49,118 |
| Net cash provided by operating activities | 13,138,473 | 17,754,746 |
| Cash flows from investing activities: | | |
| Change in restricted cash | 743,195 | |
| Capital expenditures | (2,072,389) | (2,962,466) |
| Proceeds from dispositions of radio stations | | 35,000,000 |
| Payments for translator licenses | | (1,109,103) |
| Payments for investments | (166,667) | |
| Loan to related party | | (150,000) |
| Net cash provided by (used in) investing activities | (1,495,861) | 30,778,431 |
| Cash flows from financing activities: | | |
| Payments on debt | (6,043,699) | (49,045,808) |
| Dividends paid | (3,104,523) | (3,851,460) |
| Purchase of treasury stock | (162,000) | (506,410) |
| Net cash used in financing activities | (9,310,222) | (53,403,678) |
| Net increase (decrease) in cash and cash equivalents | 2,332,390 | (4,870,501) |

| | | |
|---|---|---|
| Cash and cash equivalents at beginning of period | 14,318,494 | 20,325,415 |
| Cash and cash equivalents at end of period | $ 16,650,884 | $ 15,454,914 |
| Cash paid for interest | $ 2,485,147 | $ 12,672,589 |
| Cash paid for income taxes | $ 2,555,650 | $ 2,021,125 |
| Supplement disclosure of non-cash investing and financing activities: | | |
| Dividends declared but unpaid | $ 1,036,341 | $ 1,286,010 |
| Translator license and equipment received as consideration | $ | $ 332,000 |

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**BEASLEY BROADCAST GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(1) Interim Financial Statements**

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Beasley Broadcast Group, Inc. and its subsidiaries (the Company ) included in the Company s Annual Report on Form 10-K for the year ended December 31, 2016. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( GAAP ) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the financial statements reflect all adjustments necessary for a fair statement of the financial position and results of operations for the interim periods presented and all such adjustments are of a normal and recurring nature. The Company s results are subject to seasonal fluctuations therefore the results shown on an interim basis are not necessarily indicative of results for the full year.

**(2) Recent Accounting Pronouncements**

In March 2017, the Financial Accounting Standards Board ( FASB ) issued guidance to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance is effective for annual periods beginning after December 15, 2017. The Company is currently in the process of reviewing the new guidance, but its preliminary assessment, which is subject to change, is that the new guidance will not result in a significant impact on its financial statements.

In January 2017, the FASB issued guidance to simplify goodwill impairment testing by eliminating step two from the goodwill impairment test. Under the new guidance, an entity still has the option to perform the qualitative assessment of a reporting unit to determine if the quantitative impairment test is necessary. Under the new guidance an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Company adopted the new guidance on a prospective basis in the first quarter of 2017 with no current impact on its financial statements.

In August 2016, the FASB issued guidance to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company is currently in the process of reviewing the new guidance, but its preliminary assessment, which is subject to change, is that the new guidance will not result in a significant impact on its financial statements.

In March 2016, the FASB issued guidance to improve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. The Company adopted the new guidance in the first quarter of 2017 with no material impact on its financial statements.

In February 2016, the FASB issued guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. There continues to be a differentiation between finance leases and operating leases, however lease assets and lease liabilities arising from operating leases should now be recognized in the statement of financial position. New disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company continues to review the new guidance and is currently researching lease management software. The Company expects the new guidance to result in a significant impact on the balance sheet, however that impact will not be quantified until closer to the adoption date. The Company does not expect the new guidance to have a significant impact on the statement of comprehensive income.

In January 2016, the FASB issued guidance that changes how entities measure equity investments and present changes in the fair value of financial liabilities. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the

**BEASLEY BROADCAST GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value, and as such, these investments may be measured at cost. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company continues to review the new guidance, but its preliminary assessment, which is subject to change, is that the new guidance will not result in a significant impact on its financial statements.

In September 2015, the FASB issued guidance that modified accounting for business combinations to reflect measurement period adjustments to be recorded prospectively rather than retroactively to the assets and liabilities initially recorded under purchase price accounting. The guidance, which was effective as of January 1, 2016, did not have a material impact on the Company s financial statements at the time of adoption. During the first quarter of 2017, the Company accounted for measurement period adjustments on a prospective basis. See Note 3 for further information.

In May 2014, the FASB issued guidance to clarify the principles for recognizing revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a comprehensive framework for revenue recognition that supersedes current general revenue guidance and most industry-specific guidance. In addition, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. In 2016, the FASB issued several updates to address implementation issues and to clarify guidance for principal versus agent considerations and identifying performance obligations and licensing. An entity should apply the guidance either retrospectively to each prior reporting period presented or retrospectively with the cumulative adjustment at the date of the initial application. In August 2015, the FASB delayed the effective date of the new guidance to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is now permitted after the original effective date of December 15, 2016. The Company plans to adopt the new guidance on January 1, 2018. The Company continues to review the impact of the new guidance on its revenue streams and its initial assessment is that the new guidance will not result in a significant impact on its financial statements. The Company preliminarily plans to adopt the new guidance using the modified retrospective application method.

**(3) Acquisitions and Dispositions**

*Greater Media Merger*

On November 1, 2016, (the Acquisition Date ), the Company completed the acquisition of Greater Media, Inc. ( Greater Media ), pursuant to the merger agreement, dated as of July 19, 2016 by and among the Company, Greater Media, Beasley Media Group 2, Inc., an indirect wholly-owned subsidiary of the Company ( Merger Sub ), and Peter A. Bordes, Jr., as the Stockholders Representative (the Merger Agreement ). On the Closing Date, Merger Sub was merged with and into Greater Media, with Greater Media surviving the merger as an indirect wholly-owned subsidiary of the Company (the Merger ). As a result of the Merger, the Company added 21 radio stations in the Boston, MA, Detroit, MI, Charlotte, NC, Middlesex, NJ, Monmouth, NJ, Morristown, NJ and Philadelphia, PA markets.

Pursuant to the terms of the Merger Agreement, at the effective time of the Merger, the Company acquired all of the issued and outstanding common stock of Greater Media for an aggregate purchase price of $239,875,000, subject to a purchase price adjustment related to the sale of Greater Media s tower assets and other customary post-closing purchase price adjustments and inclusive of the repayment of $82.2 million of Greater Media s outstanding debt and the payment of certain transaction expenses. The proceeds paid to the stockholders of Greater Media consisted of (i) $94.4 million in cash and (ii) $25.0 million in shares of the Company s Class A common stock, which equaled 5,422,993 shares at a fixed value of $4.61 per share (the Merger Shares ). The 5,422,993 shares of Class A common stock were recorded at a fair value of $4.80 per share or $26.0 million on the Acquisition Date. The Merger consideration is subject to adjustment for changes in working capital of Greater Media, outstanding debt of Greater Media and its subsidiaries as of the date of the closing and certain other payments and expenses. Additional Merger Shares may be issued in connection with such adjustment. In addition, the stockholders of Greater Media will receive the net cash proceeds from the sale of Greater Media s tower assets, originally estimated to be approximately $24.0 million. Merger expenses of $0.5 million are reported in merger and disposition expenses in the consolidated statement of comprehensive income for the nine months ended September 30, 2017. The Company incurred merger expenses of $1.2 million during the three and nine months ended September 30, 2016.

The acquisition was accounted for as a business combination. The preliminary purchase price allocations are based on a preliminary valuation of assets and liabilities and the estimates and assumptions are subject to change as the Company obtains additional information during the measurement period, which may be up to one year from the Acquisition Date.

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**BEASLEY BROADCAST GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The Company has engaged a third party to evaluate certain net operating loss carryforwards related to Greater Media, Inc. and several of its subsidiaries to determine the amount of net operating loss carryforwards that may be utilized by the Company in future tax returns. These evaluations have not been finalized, therefore an estimate of $3.6 million for net operating loss carryforwards has been included in the preliminary purchase price. The accounting for this item was not finalized before the end of the measurement period and any adjustment will now be recognized in current operations during the period in which the accounting is finalized.

On the Acquisition Date, in accordance with the Merger Agreement, the Company placed 867,679 shares of Class A common stock with a fair value of $4.2 million in escrow. Some or all of these shares could be released to Greater Media based upon a working capital adjustment. The Company s estimate of the working capital adjustment as of the Acquisition Date, results in 189,915 shares of Class A common stock being released to Greater Media. The unreleased shares in escrow will be canceled by the Company. The forfeited shares are not indexed to the Company s stock and therefore are adjusted to fair value based on the Company s closing stock price on each reporting date with changes in fair value recorded in earnings. The estimated number of shares to be released to Greater Media had a fair value of $0.9 million as of the Acquisition Date and have been included in the preliminary purchase price. The estimated number of shares to be forfeited had a fair value of $3.3 million as of the Acquisition Date and have been reported as a merger consideration receivable in the accompanying consolidated balance sheet. The Company reassessed the fair value of the estimated number of shares to be forfeited and recorded a $1.3 million increase in fair value of the contingent consideration for the three months ended September 30, 2017 and a $3.8 million increase in fair value for the nine months ended September 30, 2017. The final purchase price will include the fair value of the forfeited shares as of the settlement date of the working capital adjustment. The accounting for this item was not finalized before the end of the measurement period and any adjustment will now be recognized in current operations during the period in which the accounting is finalized.

In accordance with the Merger Agreement, the purchase price will be adjusted by certain proceeds from the sale of Greater Media s towers assets. Based on the proceeds from the tower sale, the former stockholders of Greater Media will return a certain number of shares of Class A common stock that will be canceled by the Company. The Company has accounted for this arrangement as contingent consideration subject to the ultimate sale of the tower assets. As of the Acquisition Date, the Company estimated the sales price of the towers to be $28.0 million which resulted in the expected return of 650,759 shares. As of the Acquisition Date, the estimated number of shares to be returned had a fair value of $3.4 million based on a stock price of $5.16 and have been reported as a merger consideration receivable in the accompanying consolidated balance sheet. On February 27, 2017, the former stockholders of Greater Media entered into an asset purchase agreement to sell the towers for $28.0 million. As of September 30, 2017, the estimated number of shares to be returned had a fair value of $7.6 million based on a stock price of $11.70. The Company recorded a $1.2 million increase in fair value of the contingent consideration for the three months ended September 30, 2017 and a $3.9 million increase in fair value for the nine months ended September 30, 2017. The number of returned shares may be revised due to a change in the estimated net proceeds from the tower sale. The accounting for this item was not finalized before the end of the measurement period and any adjustment will now be recognized in current operations during the period in which the accounting is finalized.

The following table summarizes the preliminary purchase price allocation as of the Acquisition Date:

| | |
|---|---|
| Cash and cash equivalents | $ 7,683,950 |
| Accounts receivable | 29,889,677 |
| Prepaid expenses | 1,710,924 |
| Other current assets | 541,460 |
| Property and equipment | 40,642,648 |
| FCC broadcasting licenses | 263,260,200 |
| Other intangibles, net | 2,790,524 |
| Other assets | 676,632 |
| Accounts payable | (429,042) |
| Other current liabilities | (16,685,309) |
| Long-term debt | (82,177,895) |
| Deferred tax liabilities | (76,050,112) |
| Other long-term liabilities | (13,709,261) |
| Net assets acquired | 158,144,396 |
| Gain on merger | (44,281,066) |
| Preliminary purchase price | $ 113,863,330 |

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**BEASLEY BROADCAST GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The following table summarizes the components of the preliminary purchase price:

| | |
|---|---|
| Cash | $ 94,444,148 |
| Stock issued | 21,865,506 |
| Estimated tower sale adjustment | (3,357,916) |
| Stock issued in escrow | 4,164,859 |
| Estimated working capital adjustment | (3,253,267) |
| Preliminary purchase price | $ 113,863,330 |

Effective on the Acquisition Date, the Company entered into an agreement with the former CEO of Greater Media to provide consulting services for a period of one year. The costs associated with this agreement are reported in other operating expenses in the accompanying statement of comprehensive income for the three and nine months ended September 30, 2017.

The following unaudited pro forma information for the three and nine months ended September 30, 2016 assumes that the merger had occurred on January 1, 2016. The significant pro forma adjustments are depreciation and interest expense. This unaudited pro forma information has been prepared based on estimates and assumptions, which management believes are reasonable, and is not necessarily indicative of what would have occurred had the acquisition been completed on January 1, 2016 or of results that may occur in the future.

| | **Three months ended September 30, 2016** | **Nine months ended September 30, 2016** |
|---|---|---|
| Net revenue | $ 58,826,998 | $ 176,851,366 |
| Operating income | 9,438,018 | 24,293,097 |
| Net income | 3,133,034 | 6,543,693 |
| Basic and diluted net income per share | 0.11 | 0.23 |

*Dispositions*

On January 6, 2017, the Company completed the sale of substantially all of the assets used or useful in the operations of WBT-AM, WBT-FM, WFNZ-AM and WLNK-FM in Charlotte, NC to Entercom Communications Corp. for $24.0 million in cash. On November 1, 2016, the assets of WBT-AM, WBT-FM and WLNK-FM were contributed to a trust following completion of the Company s acquisition of Greater Media and were operated by Entercom under a local marketing agreement until completion of the sale. The assets of WBT-AM, WBT-FM and WLNK-FM were reported as a beneficial interest in trust as of December 31, 2016 that was realized upon completion of the sale. The Company repaid a portion of the outstanding balance under its credit facility with the sales proceeds. The Company recorded a $0.3 million loss on disposition during the first quarter of 2017.

On May 1, 2017, the Company completed the sale of substantially all of the assets used in the operations of WIKS-FM, WMGV-FM, WNCT-AM, WNCT-FM, WSFL-FM and WXNR-FM in its Greenville-New Bern-Jacksonville, NC market cluster to CMG Coastal Carolina, LLC for $11.0 million in cash and a translator license and equipment with a fair value of $0.3 million. The Company repaid a portion of the outstanding balance under its credit facility with the cash sales proceeds. The Company no longer has operations in the Greenville-New Bern-Jacksonville, NC market after completion of the disposition. However management determined that the disposition did not represent a strategic shift that will have a major effect on the Company s operations and financial results, therefore the operations in the Greenville-New Bern-Jacksonville, NC market were not reported as discontinued operations. Income before taxes for the radio stations in the Greenville-New Bern-Jacksonville, NC market was $0.1 million and $0.4 million for the three and nine months ended September 30, 2016, respectively. Income before the gain on disposition of $4.0 million, other disposition related expenses of $0.3 million, and taxes for the radio stations in the Greenville-New Bern-Jacksonville, NC market was $0.1 million for the nine months ended September 30, 2017. The assets of WIKS-FM, WMGV-FM, WNCT-AM, WNCT-FM, WSFL-FM and WXNR-FM were reported as held for sale as of December 31, 2016. The Company recorded a $4.0 million gain on disposition during the second quarter of 2017.

A summary of assets held for sale as of December 31, 2016 is as follows:

| | WFNZ-AM | New Bern | Total |
|---|---|---|---|
| Property and equipment, net | $ 1,702,847 | $ 1,400,615 | $ 3,103,462 |
| FCC broadcasting licenses | 2,166,400 | 3,998,940 | 6,165,340 |
| Goodwill | | 1,943,349 | 1,943,349 |
| Other intangibles | 108,135 | | 108,135 |
| | $ 3,977,382 | $ 7,342,904 | $ 11,320,286 |

**BEASLEY BROADCAST GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

### (4) Long-Term Debt

Long-term debt is comprised of the following:

| | December 31, 2016 | September 30, 2017 |
|---|---|---|
| Term loan | $ 265,000,000 | $ 216,000,000 |
| Revolving credit facility | 3,000,000 | 3,000,000 |
| Capital lease obligations | 691,951 | 646,143 |
| | 268,691,951 | 219,646,143 |
| Less unamortized debt issuance costs | (14,313,703) | (12,673,279) |
| | 254,378,248 | 206,972,864 |
| Less current installments | (6,686,077) | (63,284) |
| | $ 247,692,171 | $ 206,909,580 |

As of September 30, 2017, the credit facility consisted of a term loan with a remaining balance of $216.0 million and a revolving credit facility with an outstanding balance of $3.0 million and a maximum commitment of $20.0 million. As of September 30, 2017, the Company had $17.0 million in available commitments under its revolving credit facility. At the Company s option, the credit facility may bear interest at either (i) the London Interbank Offered Rate ( LIBOR ) plus a margin 6.0% or (ii) the base rate plus a margin of 5.0%. Each margin will decrease 0.25% when the Company s First Lien Leverage Ratio (as defined in the credit agreement) is equal or less than 3.75x. The LIBOR interest rate for the term loan is subject to a 1% floor. Interest payments for loans based on LIBOR are due at the end of each applicable interest period unless the interest period is longer than three months, in which case they are due at the end of each three month period. Interest payments for loans based on the base rate are due quarterly. The revolving credit facility carried interest, based on LIBOR, at 7.2% as of September 30, 2017 and matures on November 1, 2021. The term loan carried interest, based on LIBOR, at 7.2% as of September 30, 2017 and matures on November 1, 2023.

As of December 31, 2016, the credit facility consisted of a term loan with a remaining balance of $265.0 million and a revolving credit facility with an outstanding balance of $3.0 million and a maximum commitment of $20.0 million. The revolving credit facility carried interest, based on LIBOR, at 6.8% as of December 31, 2016. The term loan carried interest, based on LIBOR, at 7.0% as of December 31, 2016.

Commencing with the year ending December 31, 2017, the credit agreement requires mandatory prepayments equal to 75% of Excess Cash Flow (as defined in the credit agreement) when the Company s Total Leverage Ratio (as defined in the credit agreement) is greater than 3.75x; mandatory prepayments equal to 50% of Excess Cash Flow when the Company s Total Leverage Ratio is less than or equal to 3.75x and greater than 3.5x; mandatory prepayments equal to 25% of Excess Cash Flow when the Company s Total Leverage Ratio is less than or equal to 3.5x and greater than 3.0x; and no mandatory prepayments when the Company s Total Leverage Ratio is less than or equal to 3.0x.

Mandatory prepayments of consolidated Excess Cash Flow are due 105 days after year end. The credit agreement also requires mandatory prepayments for defined amounts from net proceeds of asset sales, net insurance proceeds, and net proceeds of debt issuances.

The credit agreement requires the Company to comply with certain financial covenants which are defined in the credit agreement. These financial covenants include a First Lien Leverage Ratio that will be tested at the end of each quarter. For the period from September 30, 2017 through March 31, 2018, the maximum First Lien Leverage Ratio is 6.25x. For the period from June 30, 2018 through September 30, 2018, the maximum First Lien Leverage Ratio is 6.0x. For the period from December 31, 2018 through September 30, 2019, the maximum First Lien Leverage Ratio is 5.75x. The maximum First Lien Leverage Ratio is 5.25x for December 31, 2019 and thereafter.

The credit facility is secured by substantially all assets of the Company and its subsidiaries and is guaranteed jointly and severally by the Company and its subsidiaries. If the Company defaults under the terms of the credit agreement, the Company and its subsidiaries may be required to perform under their guarantees. As of September 30, 2017, the maximum amount of undiscounted payments the Company and its applicable subsidiaries would have been required to make in the event of default was $219.0 million.

The revolving credit facility and the guarantees related thereto expire on November 1, 2021 and the term loan credit agreement and the guarantees related thereto expire on November 1, 2023.

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**BEASLEY BROADCAST GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Failure to comply with financial covenants, scheduled interest payments, scheduled principal repayments, or any other terms of our credit agreement could result in the acceleration of the maturity of our outstanding debt, which could have a material adverse effect on our business or results of operations. As of September 30, 2017, the Company was in compliance with all applicable financial covenants under its credit agreement.

The aggregate scheduled principal repayments of the credit facility and capital lease obligations for the remainder of 2017, the next four years and thereafter are as follows:

| | |
|---|---|
| 2017 | $ 15,269 |
| 2018 | 64,020 |
| 2019 | 67,101 |
| 2020 | 70,326 |
| 2021 | 4,073,700 |
| Thereafter | 215,355,727 |
| Total | $ 219,646,143 |

**(5) Employee Benefit Plans**

On November 1, 2016, the Company assumed the frozen Greater Media postretirement medical and life insurance benefits plan. The $1.8 million liability related to the plan is reported in other long-term liabilities in the consolidated balance sheet as of December 31, 2016. Effective May 31, 2017, the Company terminated the postretirement medical and life insurance benefits plan and reversed the accrued liability of $1.8 million which is reported on a separate line in the consolidated statements of comprehensive income for the nine months ended September 30, 2017.

**(6) Stock-Based Compensation**

The Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the 2007 Plan ) permits the Company to issue up to 7.5 million shares of Class A common stock. The 2007 Plan allows for eligible employees, directors and certain consultants of the Company to receive restricted stock units, shares of restricted stock, stock options or other stock-based awards. The restricted stock units and restricted stock awards that have been granted under the 2007 Plan generally vest over one to five years of service.

A summary of restricted stock unit activity under the 2007 Plan for the three months ended September 30, 2017 is as follows:

| | Units | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Unvested as of July 1, 2017 | 475,792 | $ 10.53 |
| Granted | 5,000 | 10.83 |
| Vested | (1,000) | 10.83 |
| Forfeited | | |
| Unvested as of September 30, 2017 | 479,792 | $ 10.53 |

A summary of restricted stock activity under the 2007 Plan for the three months ended September 30, 2017 is as follows:

| | Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Unvested as of July 1, 2017 | 219,152 | $ 5.51 |
| Granted | | |
| Vested | (10,000) | 5.85 |
| Forfeited | | |
| Unvested as of September 30, 2017 | 209,152 | $ 5.49 |

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**BEASLEY BROADCAST GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

As of September 30, 2017, there was an aggregate $4.6 million of unrecognized compensation cost related to restricted stock units and shares of restricted stock granted under the 2007 Plan. That cost is expected to be recognized over a weighted-average period of 2.4 years.

### (7) Income Taxes

The Company s effective tax rate was approximately 29% and 26% for the three and nine months ended September 30, 2017, respectively, and approximately 48% and 43% for the three and nine months ended September 30, 2016, respectively. These rates differ from the federal statutory rate of 35% due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate also reflects a $1.0 million decrease and a $3.0 million decrease due to the change in fair value of contingent consideration for the three and nine months ended September 30, 2017, respectively. The Company included $1.2 million of expenses related to the Greater Media merger as not deductible in the calculation of the effective rate for the three and nine months ended September 30, 2016.

### (8) Related Party Transactions

On February 22, 2017, the Company contributed $150,000 to LN2 DB, LLC (formerly Digital PowerRadio, LLC) in exchange for a note bearing interest at 18% per annum. Principal and accrued interest are due on the maturity date of December 31, 2019. LN2 DB, LLC is managed by Fowler Radio Group, LLC which is partially-owned by Mark S. Fowler, an independent director of Beasley Broadcast Group, Inc.

### (9) Financial Instruments

The carrying amount of the Company s financial instruments including cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short term nature of these financial instruments.

The carrying amount of the Company s long-term debt, including the term loan, the revolving credit facility, capital lease obligations and current installments, as of September 30, 2017 was $219.0 million which approximated fair value based on current market interest rates. The carrying amount of the Company s term loan as of December 31, 2016 was $265.0 million. The Company estimated the fair value of the term loan to be $268.5 million using observable inputs (Level 2). The carrying amount of the Company s revolving credit facility and capital lease obligations as of December 31, 2016 was $3.7 million which approximated fair value based on current market interest rates.

### (10) Subsequent Event

On November 1, 2017, the Company entered into an asset exchange agreement with CBS Radio Stations, Inc., Entercom Boston, LLC, and The Entercom Divestiture Trust under which the Company agreed to exchange all of the assets used or useful in the operations of WMJX-FM in Boston, MA for all of the assets used or useful in the operations of WBZ-FM in Boston, MA. In addition, the Company will also pay $12.0 million in cash which will be partially financed with borrowings from its credit facility and partially funded with cash from operations. The transaction is being structured as a like-kind exchange in accordance with Section 1031 of the internal Revenue Code. No assurance can be given, however, that the transaction will qualify as a like-kind exchange under Section 1031 of the Internal Revenue Code. The proposed asset exchange, which is expected to close in the first quarter of 2018, is subject to approval by the Federal Communications Commission and other customary closing conditions.

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## ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### General

We are a radio broadcasting company whose primary business is operating radio stations throughout the United States. We own and operate 63 radio stations in the following radio markets: Atlanta, GA, Augusta, GA, Boston, MA, Charlotte, NC, Detroit, MI, Fayetteville, NC, Fort Myers-Naples, FL, Las Vegas, NV, Middlesex, NJ, Monmouth, NJ, Morristown, NJ, Philadelphia, PA, Tampa-Saint Petersburg, FL, West Palm Beach-Boca Raton, FL, and Wilmington, DE. We refer to each group of radio stations in each radio market as a market cluster.

### Recent Developments

On November 1, 2017, we entered into an asset exchange agreement with CBS Radio Stations, Inc., Entercom Boston, LLC, and The Entercom Divestiture Trust under which we agreed to exchange all of the assets used or useful in the operations of WMJX-FM in Boston, MA for all of the assets used or useful in the operations of WBZ-FM in Boston, MA. In addition, we will also pay $12.0 million in cash which will be partially financed with borrowings from our credit facility and partially funded with cash from operations. The transaction is being structured as a like-kind exchange in accordance with Section 1031 of the internal Revenue Code. No assurance can be given, however, that the transaction will qualify as a like-kind exchange under Section 1031 of the Internal Revenue Code. The proposed asset exchange, which is expected to close in the first quarter of 2018, is subject to approval by the Federal Communications Commission (the FCC ) and other customary closing conditions.

### Greater Media Merger

On November 1, 2016, we completed the acquisition of Greater Media, Inc. ( Greater Media ), pursuant to the merger agreement, dated as of July 19, 2016 by and among the Company, Greater Media, Beasley Media Group 2, Inc., an indirect wholly-owned subsidiary of the Company ( Merger Sub ), and Peter A. Bordes, Jr., as the Stockholders Representative (the Merger Agreement ). In accordance with the Merger Agreement, Merger Sub was merged with and into Greater Media, with Greater Media surviving the merger as an indirect wholly-owned subsidiary of the Company (the Merger ). As a result of the Merger, the Company added 21 radio stations in the Boston, MA, Detroit, MI, Charlotte, NC, Middlesex, NJ, Monmouth, NJ, Morristown, NJ, and Philadelphia, PA markets.

### Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements about the Company within the meaning of the Private Securities Litigation Reform Act of 1995, which relate to future, not past, events. All statements other than statements of historical fact included in this document are forward-looking statements. These forward-looking statements are based on the current beliefs and expectations of the Company s management and are subject to known and unknown risks and uncertainties. Forward-looking statements, which address the Company s expected business and financial performance and financial condition, among other matters, contain words such as: expects, anticipates, intends, plans believes, estimates, may, will, plans, projects, could, should, would, seek, forecast, or other si

Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that the expectations will be attained or that any deviation will not be material. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The Company undertakes no obligation to update or revise any forward-looking statements.

Forward-looking statements involve a number of risks and uncertainties, and actual results or events may differ materially from those projected or implied in those statements. Factors that could cause actual results or events to differ materially from these forward-looking statements include, but are not limited to:

- external economic forces that could have a material adverse impact on the Company s advertising revenues and results of operations;

- the ability of the Company s radio stations to compete effectively in their respective markets for advertising revenues;

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the ability to successfully combine the Company s business with Greater Media s business and the potential for unexpected delays, costs, or liabilities relating to the integration of Greater Media;

the incurrence of significant Merger-related fees and costs;

the risk that the Merger may prevent the Company from acting on future opportunities to enhance stockholder value;

the ability of the Company to respond to changes in technology, standards and services that affect the radio industry;

audience acceptance of the Company s content, particularly its radio programs;

the Company s substantial debt levels and the potential effect of restrictive debt covenants on the Company s operational flexibility and ability to pay dividends;

the Company s dependence on federally issued licenses subject to extensive federal regulation;

the risk that the Company s FCC broadcasting licenses and/or goodwill, including those assets recorded due to the Merger, could become impaired;

the failure or destruction of the internet, satellite systems and transmitter facilities that the Company depends upon to distribute its programming;

disruptions or security breaches of the Company s information technology infrastructure;

actions by the FCC or new legislation affecting the radio industry;

the loss of key personnel;

the fact that the Company is controlled by the Beasley family, which creates difficulties for any attempt to gain control of the Company;

the effect of future sales of Class A common stock by the Beasley family or the former stockholders of Greater Media;

other economic, business, competitive, and regulatory factors affecting the businesses of the Company, including those set forth in the Company s filings with the SEC.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. We do not intend, and undertake no obligation, to update any forward-looking statement.

**Financial Statement Presentation**

The following discussion provides a brief description of certain key items that appear in our financial statements and general factors that impact these items.

*Net Revenue.* Our net revenue is primarily derived from the sale of advertising airtime to local and national advertisers. Net revenue is gross revenue less agency commissions, generally 15% of gross revenue. Local revenue generally consists of airtime sales, digital sales and event marketing for advertisers in a radio station s local market either directly to the advertiser or through the advertiser s agency. National revenue generally consists of advertising airtime and digital sales to agencies purchasing advertising for multiple markets. National sales are generally facilitated by our national representation firm, which serves as our agent in these transactions.

Our net revenue is generally determined by the advertising rates that we are able to charge and the number of advertisements that we can broadcast without jeopardizing listener levels. Advertising rates are primarily based on the following factors:

- a radio station s audience share in the demographic groups targeted by advertisers as measured principally by periodic reports issued by Nielson Audio;
- the number of radio stations, as well as other forms of media, in the market competing for the attention of the same demographic groups;
- the supply of, and demand for, radio advertising time; and
- the size of the market.

Our net revenue is affected by general economic conditions, competition and our ability to improve operations at our market clusters. Seasonal revenue fluctuations are also common in the radio broadcasting industry and are primarily due to variations in advertising expenditures by local and national advertisers. Our revenues are typically lowest in the first calendar quarter of the year.

We use trade sales agreements to reduce cash paid for operating costs and expenses by exchanging advertising airtime for goods or services; however, we endeavor to minimize trade revenue in order to maximize cash revenue from our available airtime.

We also continue to invest in digital support services to develop and promote our radio station websites. We derive revenue from our websites through the sale of advertiser promotions and advertising on our websites and the sale of advertising airtime during audio streaming of our radio stations over the internet. We also generate revenue from selling other digital products.

*Operating Expenses.* Our operating expenses consist primarily of (1) programming, engineering, sales, advertising and promotion, and general and administrative expenses incurred at our radio stations, (2) general and administrative expenses, including compensation and other expenses, incurred at our corporate offices, and (3) depreciation and amortization. We strive to control our operating expenses by centralizing certain functions at our corporate offices and consolidating certain functions in each of our market clusters.

**Critical Accounting Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect reported amounts and related disclosures. We consider an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made and
- changes in the estimate or different estimates that could have been selected could have a material impact on our results of operations or financial condition.

Our critical accounting estimates are described in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes to our critical accounting estimates during the third quarter of 2017.

**Recent Accounting Pronouncements**

Recent accounting pronouncements are described in Note 2 to the accompanying financial statements.

**Three Months Ended September 30, 2017 Compared to the Three Months Ended September 30, 2016**

The following summary table presents a comparison of our results of operations for the three months ended September 30, 2016 and 2017 with respect to certain of our key financial measures. These changes illustrated in the table are discussed in greater detail below. This section should be read in conjunction with the financial statements and notes to financial statements included in Item 1 of this report.

| | Three Months ended September 30, | | Change | |
|---|---|---|---|---|
| | 2016 | 2017 | $ | % |
| Net revenue | $ 27,729,026 | $ 58,902,050 | $ 31,173,024 | 112.4% |
| Station operating expenses | 19,519,464 | 42,481,721 | 22,962,257 | 117.6 |
| Corporate general and administrative expenses | 2,394,970 | 4,026,521 | 1,631,551 | 68.1 |
| Merger expenses | 1,200,573 | | (1,200,573) | (100.0) |
| Depreciation and amortization | 816,394 | 1,453,167 | 636,773 | 78.0 |
| Change in fair value of contingent consideration | | 2,524,195 | 2,524,195 | |
| Interest expense | 855,378 | 4,717,530 | 3,862,152 | 451.5 |
| Income tax expense | 1,564,005 | 2,432,740 | 868,735 | 55.5 |
| Net income | 1,694,368 | 6,070,204 | 4,375,836 | 258.3 |

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*Net Revenue.* Net revenue increased $31.2 million during the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. Significant factors affecting net revenue included $13.0 million in additional advertising revenue from the Boston radio stations, $11.1 million from the Philadelphia radio stations, $6.6 million from the Detroit radio stations, and $4.7 million from the New Jersey radio stations acquired from Greater Media on November 1, 2016, partially offset by a $1.7 million decrease due to the disposition of our Greenville-New Bern-Jacksonville market cluster on May 1, 2017, a $1.1 million decrease in advertising revenue from our Charlotte market cluster primarily due to the disposition of WFNZ-AM on January 6, 2017, and a $0.9 million decrease in advertising revenue from our Tampa-Saint Petersburg market cluster. Net revenue for the three months ended September 30, 2017 was comparable to net revenue for the same period in 2016 at our remaining market clusters.

*Station Operating Expenses.* Station operating expenses increased $23.0 million during the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. Significant factors affecting station operating expenses included $8.9 million in additional expenses from the Boston radio stations, $8.7 million from the Philadelphia radio stations, $5.1 million from the Detroit radio stations, and $3.5 million from the New Jersey radio stations acquired from Greater Media, partially offset by a $1.4 million decrease in station operating expenses due to the disposition of our Greenville-New Bern-Jacksonville market cluster, a $0.9 million decrease in station operating expenses at our Tampa-Saint Petersburg market cluster, and a $0.6 million decrease in station operating expenses at our Charlotte market cluster primarily due to the disposition of WFNZ-AM. Station operating expenses for the three months ended September 30, 2017 were comparable to station operating expenses for the same period in 2016 at our remaining market clusters.

*Corporate General and Administrative Expenses.* Corporate general and administrative expenses increased $1.6 million during the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. Significant factors affecting corporate general and administrative expenses included a $0.7 million increase in cash compensation expense, which was primarily due to an increase in the number of employees at our corporate offices and new employment agreements, a $0.3 million increase in stock-based compensation expense and a $0.4 million increase in contract services.

*Merger Expenses.* In connection with the acquisition of Greater Media, we incurred merger expenses, primarily consisting of legal fees, of $1.2 million during the third quarter of 2016.

*Depreciation and Amortization.* The $0.6 million increase in depreciation and amortization during the three months ended September 30, 2017 as compared to the three months ended September 30, 2016 was primarily due to additional expense from the radio stations acquired from Greater Media.

*Change in Fair Value of Contingent Consideration.* In connection with the acquisition of Greater Media, a number of shares of our Class A common stock will be returned to us by the former stockholders of Greater Media based on certain proceeds from the sale of Greater Media s tower assets. The fair value of the estimated number of shares to be returned increased $1.2 million due to an increase in our stock price over the three months ended September 30, 2017. In addition, a certain number of shares of our Class A common stock placed in escrow on the acquisition date are expected to be forfeited based on a working capital adjustment. The fair value of the estimated number of shares to be forfeited increased $1.3 million due to an increase in our stock price over the three months ended September 30, 2017. These increases were recognized as a change in fair value of contingent consideration during the three months ended September 30, 2017.

*Interest Expense.* Interest expense increased $3.9 million during the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. The primary factors affecting interest expense were the increase in long-term debt outstanding and the increase in the applicable interest rate.

*Income Tax Expense.* Our effective tax rate was approximately 48% and 29% for the three months ended September 30, 2016 and 2017, respectively. These rates differ from the federal statutory rate of 35% due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate for the three months ended September 30, 2017 also reflects a

$1.0 million decrease due to the change in fair value of contingent consideration. The effective tax rate for the three months ended September 30, 2016 also reflects $1.2 million of expenses related to the Greater Media merger that were treated as not deductible.

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*Net Income.* Net income during the three months ended September 30, 2017 increased $4.4 million as compared to the three months ended September 30, 2016 as a result of the factors described above.

**Nine Months Ended September 30, 2017 Compared to the Nine Months Ended September 30, 2016**

The following summary table presents a comparison of our results of operations for the nine months ended September 30, 2016 and 2017 with respect to certain of our key financial measures. These changes illustrated in the table are discussed in greater detail below. This section should be read in conjunction with the financial statements and notes to financial statements included in Item 1 of this report.

| | Nine Months ended September 30, | | Change | |
|---|---|---|---|---|
| | 2016 | 2017 | $ | % |
| Net revenue | $ 82,961,354 | $ 173,656,015 | $ 90,694,661 | 109.3% |
| Station operating expenses | 59,235,576 | 131,344,313 | 72,108,737 | 121.7 |
| Corporate general and administrative expenses | 7,339,588 | 11,745,100 | 4,405,512 | 60.0 |
| Depreciation and amortization | 2,486,381 | 4,575,646 | 2,089,265 | 84.0 |
| Gain on dispositions | | 3,707,993 | 3,707,993 | |
| Change in fair value of contingent consideration | | 7,666,145 | 7,666,145 | |
| Termination of postretirement benefits plan | | 1,812,448 | 1,812,448 | |
| Interest expense | 2,742,462 | 14,296,913 | 11,554,451 | 421.3 |
| Income tax expense | 4,517,712 | 6,242,531 | 1,724,819 | 38.2 |
| Net income | 5,984,599 | 17,462,221 | 11,477,622 | 191.8 |

*Net Revenue.* Net revenue increased $90.7 million during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. Significant factors affecting net revenue included $37.1 million in additional advertising revenue from the Boston radio stations, $32.1 million from the Philadelphia radio stations, $17.2 million from the Detroit radio stations, and $13.0 million from the New Jersey radio stations acquired from Greater Media on November 1, 2016, partially offset by a $3.0 million decrease due to the disposition of our Greenville-New Bern-Jacksonville market cluster on May 1, 2017, a $2.9 million decrease in advertising revenue from our Charlotte market cluster primarily due to the disposition of WFNZ-AM on January 6, 2017, and a $2.6 million decrease in advertising revenue from our Tampa-Saint Petersburg market cluster. Net revenue for the nine months ended September 30, 2017 was comparable to net revenue for the same period in 2016 at our remaining market clusters.

*Station Operating Expenses.* Station operating expenses increased $72.1 million during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. Significant factors affecting station operating expenses included $26.8 million in additional expenses from the Boston radio stations, $26.1 million from the Philadelphia radio stations, $15.4 million from the Detroit radio stations, and $9.7 million from the New Jersey radio stations acquired from Greater Media, partially offset by a $2.4 million decrease in station operating expenses due to the disposition of our Greenville-New Bern-Jacksonville market cluster, a $2.2 million decrease in station operating expenses at our Charlotte market cluster primarily due to the disposition of WFNZ-AM, and a $2.0 million decrease in station operating expenses at our Tampa-Saint Petersburg market cluster. Station operating expenses for the nine months ended September 30, 2017 were comparable to station operating expenses for the same period in 2016 at our remaining market clusters.

*Corporate General and Administrative Expenses.* Corporate general and administrative expenses increased $4.4 million during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. Significant factors affecting corporate general and administrative expenses included a $1.8 million increase in cash compensation expense, which was primarily due to an increase in the number of employees at our corporate offices and new employment agreements including retroactive compensation, a $0.8 million increase in stock-based compensation expense and a $0.8 million increase in contract services.

*Depreciation and Amortization.* The $2.1 million increase in depreciation and amortization during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 was primarily due to additional expense from the radio stations acquired from Greater Media.

*Gain on Dispositions.* On May 1, 2017, we completed the disposition of our Greenville-New Bern-Jacksonville market cluster.

As a result of the disposition we recorded a gain of $4.0 million during the second quarter of 2017. On January 6, 2017, we completed the sale of substantially all of the assets used or useful in the operations of WBT-AM, WBT-FM, WFNZ-AM and WLNK-FM in Charlotte, NC. As a result of the disposition we recorded a $0.3 million loss during the first quarter of 2017.

*Change in Fair Value of Contingent Consideration.* In connection with the acquisition of Greater Media, a number of shares of our Class A common stock will be returned to us by the former stockholders of Greater Media based on certain proceeds from the sale of Greater Media s tower assets. The fair value of the estimated number of shares to be returned increased $3.9 million due to an increase in our stock price over the nine months ended September 30, 2017. In addition, a certain number of shares of our Class A common stock placed in escrow on the acquisition date are expected to be forfeited based on a working capital adjustment. The fair value of the estimated number of shares to be forfeited increased $3.8 million due to an increase in our stock price over the nine months ended September 30, 2017. These increases were recognized as a change in fair value of contingent consideration during the nine months ended September 30, 2017.

*Termination of Postretirement Benefits Plan.* Effective May 31, 2017, we terminated the Greater Media postretirement medical and life insurance benefits plan. As a result of the plan termination, we reversed the accrued liability of $1.8 million during the second quarter of 2017.

*Interest Expense.* Interest expense increased $11.6 million during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. The primary factors affecting interest expense were the increase in long-term debt outstanding and the increase in the applicable interest rate.

*Income Tax Expense.* Our effective tax rate was approximately 43% and 26% for the nine months ended September 30, 2016 and 2017, respectively. These rates differ from the federal statutory rate of 35% due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate for the nine months ended September 30, 2017 also reflects a $3.0 million decrease due to the change in fair value of contingent consideration. The effective tax rate for the nine months ended September 30, 2016 also reflects $1.2 million of expenses related to the Greater Media merger that were treated as not deductible.

*Net Income.* Net income during the nine months ended September 30, 2017 increased $11.5 million as compared to the nine months ended September 30, 2016 as a result of the factors described above.

**Liquidity and Capital Resources**

*Overview.* Our primary sources of liquidity are internally generated cash flow and our revolving credit facility. Our primary liquidity needs have been, and for the next twelve months and thereafter are expected to continue to be, for working capital, debt service, and other general corporate purposes, including capital expenditures and radio station acquisitions. Historically, our capital expenditures have not been significant. In addition to property and equipment associated with radio station acquisitions, our capital expenditures have generally been, and are expected to continue to be, related to the maintenance of our studio and office space and the technological improvement, including upgrades necessary to broadcast HD Radio, and maintenance of our broadcasting towers and equipment. We have also purchased or constructed office and studio space in some of our markets to facilitate the consolidation of our operations.

Our credit agreement permits us to repurchase sufficient shares of our common stock to fund withholding taxes in connection with the vesting of restricted stock units and shares of restricted stock, subject to compliance with financial covenants, up to an aggregate amount of $2.5 million per year. We paid $0.5 million to repurchase 49,403 shares during the nine months ended September 30, 2017.

Our credit agreement restricts our ability to pay cash dividends and to repurchase additional shares of our common stock. The credit agreement does permit, however, (i) additional dividends of up to an aggregate amount of $6.5 million if our Total Leverage Ratio is greater than 3.5x and up to an aggregate amount of $7.5 million if our Total Leverage Ratio is less than or equal to 3.5x, (ii) an amount equal to our excess cash flow that is not required to prepay the credit agreement, subject to maintaining a Total Leverage Ratio of no greater than 3.75x and (iii) unlimited dividends if our Total Leverage Ratio is less than 3.5x and our First Lien Leverage Ratio (as defined in the credit agreement) is less than 2.5x. We paid cash dividends of $3.9 million during the nine months ended September 30, 2017. Also, on August 23, 2017, our board of directors declared a cash dividend of $0.045 per share on our Class A and Class B common stock. The dividend of $1.3 million in the aggregate was paid on October 6, 2017, to stockholders of record on September 29, 2017.

We expect to provide for future liquidity needs through one or a combination of the following sources of liquidity:

- internally generated cash flow;
- our revolving credit facility;
- additional borrowings, other than under our existing revolving credit facility, to the extent permitted under our new credit agreement; and
- additional equity offerings.

We believe that we will have sufficient liquidity and capital resources to permit us to provide for our liquidity requirements and meet our financial obligations for the next twelve months. However, poor financial results or unanticipated expenses could give rise to defaults under our credit facility, additional debt servicing requirements or other additional financing or liquidity requirements sooner than we expect and we may not secure financing when needed or on acceptable terms.

*Credit Facility.* As of September 30, 2017, the credit facility consisted of a term loan with a remaining balance of $216.0 million and a revolving credit facility with an outstanding balance of $3.0 million and a maximum commitment of $20.0 million. As of September 30, 2017, we had $17.0 million in available commitments under our revolving credit facility. At our option, the credit facility may bear interest at either (i) the London Interbank Offered Rate ( LIBOR ) plus a margin of 6.0% or (ii) the base rate plus a margin of 5.0%. Each margin will decrease 0.25% when our First Lien Leverage Ratio (as defined in the credit agreement) is equal or less than 3.75x. The LIBOR interest rate for the term loan is subject to a 1% floor. Interest payments for loans based on LIBOR are due at the end of each applicable interest period unless the interest period is longer than three months, in which case they are due at the end of each three month period. Interest payments for loans based on the base rate are due quarterly. The revolving credit facility carried interest, based on LIBOR, at 7.2% as of September 30, 2017 and matures on November 1, 2021. The term loan carried interest, based on LIBOR, at 7.2% as of September 30, 2017 and matures on November 1, 2023.

Commencing with the year ending December 31, 2017, the credit agreement requires mandatory prepayments equal to 75% of Excess Cash Flow (as defined in the credit agreement) when our Total Leverage Ratio (as defined in the credit agreement) is greater than 3.75x; mandatory prepayments equal to 50% of Excess Cash Flow when our Total Leverage Ratio is less than or equal to 3.75x and greater than 3.5x; mandatory prepayments equal to 25% of Excess Cash Flow when our Total Leverage Ratio is less than or equal to 3.5x and greater than 3.0x; and no mandatory prepayments when our Total Leverage Ratio is less than or equal to 3.0x. Mandatory prepayments of consolidated Excess Cash Flow are due 105 days after year end. The credit agreement also requires mandatory prepayments for defined amounts from net proceeds of asset sales, net insurance proceeds, and net proceeds of debt issuances.

The credit agreement requires us to comply with certain financial covenants which are defined in the credit agreement. These financial covenants include a First Lien Leverage Ratio that will be tested at the end of each quarter. For the period from September 30, 2017 through March 31, 2018, the maximum First Lien Leverage Ratio is 6.25x. For the period from June 30, 2018 through September 30, 2018, the maximum First Lien Leverage Ratio is 6.0x. For the period from December 31, 2018 through September 30, 2019, the maximum First Lien Leverage Ratio is 5.75x. The maximum First Lien Leverage Ratio is 5.25x for December 31, 2019 and thereafter.

The credit facility is secured by substantially all assets of the Company and its subsidiaries and is guaranteed jointly and severally by the Company and its subsidiaries. If we default under the terms of the credit agreement, the Company and its subsidiaries may be required to perform under their guarantees. As of September 30, 2017, the maximum amount of undiscounted payments the Company and its applicable subsidiaries would have been required to make in the event of default was $219.0 million. The revolving credit facility and the guarantees thereto expire on November 1, 2021 and the term loan credit agreement and the guarantees thereto expire on November 1, 2023.

Failure to comply with financial covenants, scheduled interest payments, scheduled principal repayments, or any other terms of our credit agreement could result in the acceleration of the maturity of our outstanding debt, which could have a material adverse effect on our business or results of operations. As of September 30, 2017, we were in compliance with all applicable financial covenants under our credit agreement.

The aggregate scheduled principal repayments of the credit facility and capital lease obligations for the remainder of 2017, the next four years and thereafter are as follows:

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| | |
|---|---|
| 2017 | $ 15,269 |
| 2018 | 64,020 |
| 2019 | 67,101 |
| 2020 | 70,326 |
| 2021 | 4,073,700 |
| Thereafter | 215,355,727 |
| Total | $ 219,646,143 |

*Cash Flows*. The following summary table presents a comparison of our capital resources for the nine months ended September 30, 2016 and 2017 with respect to certain of our key measures affecting our liquidity. The changes set forth in the table are discussed in greater detail below. This section should be read in conjunction with the financial statements and notes to financial statements included in Item 1 of this report.

| | Nine Months ended September 30, | |
|---|---|---|
| | **2016** | **2017** |
| Net cash provided by operating activities | $ 13,138,473 | $ 17,754,746 |
| Net cash provided by (used in) investing activities | (1,495,861) | 30,778,431 |
| Net cash used in financing activities | (9,310,222) | (53,403,678) |
| Net increase (decrease) in cash and cash equivalents | $ 2,332,390 | $ (4,870,501) |

*Net Cash Provided By Operating Activities.* Net cash provided by operating activities increased $4.6 million during the nine months ended September 30, 2017. Significant factors affecting this increase in net cash provided by operating activities included a $88.4 million increase in cash receipts from the sale of advertising airtime partially offset by a $70.0 million increase in cash paid for station operating expenses, a $10.2 million increase in interest payments, and a $3.6 million increase in cash paid for corporate general and administrative expenses.

*Net Cash Provided By (Used In) Investing Activities.* Net cash provided by investing activities during the nine months ended September 30, 2017 included proceeds of $35.0 million from the disposition of radio stations in Charlotte and Greenville-New Bern-Jacksonville, partially offset by payments of $3.0 million for capital expenditures, and payments of $1.1 million for translator licenses. Net cash used in investing activities for the same period in 2016 included payments of $2.1 million for capital expenditures, partially offset by a $0.7 million decrease in restricted cash from the release of unused radio tower sales proceeds from a qualified intermediary.

*Net Cash Used In Financing Activities.* Net cash used in financing activities during the nine months ended September 30, 2017 included repayments of $49.0 million under our credit facility, payments of $3.9 million for cash dividends and payments of $0.5 million for repurchases of our Class A common stock. Net cash used in financing activities for the same period in 2016 included repayments of $6.0 million under our credit facility and payments of $3.1 million for cash dividends.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not required for smaller reporting companies.

**ITEM 4. CONTROLS AND PROCEDURES.**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective as of the end of the period covered by this report.

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

We currently and from time to time are involved in litigation and are the subject of threats of litigation that are incidental to the conduct of our business. These include indecency claims and related proceedings at the FCC as well as claims and threatened claims by private third parties. However, we are not a party to any lawsuit or other proceedings, or the subject of any threatened lawsuit or other proceedings, which, in the opinion of management, is likely to have a material adverse effect on our financial condition or results of operations.

### ITEM 1A. RISK FACTORS.

The risk factors affecting our Company are described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes to the risks affecting our Company during the third quarter of 2017.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table presents information with respect to purchases we made of our Class A common stock during the three months ended September 30, 2017.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program |
|---|---|---|---|---|
| July 1 31, 2017 | 875 | $ 10.18 | | |
| August 1 31, 2017 | | | | |
| September 1 30, 2017 | 1,875 | 10.40 | | |
| Total | 2,750 | | | |

On March 27, 2007, our board of directors approved the Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the 2007 Plan ). The original ten year term of the 2007 Plan ended on March 27, 2017. Our stockholders approved an amendment to the 2007 Plan at the Annual Meeting of Stockholders on June 8, 2017 to, among other things, extend the term of the 2007 Plan until March 27, 2027. The 2007 Plan permits us to purchase sufficient shares to fund withholding taxes in connection with the vesting of restricted stock units and shares of restricted stock. Our credit agreement permits us to repurchase sufficient shares of our common stock to fund withholding taxes in connection with the vesting of restricted stock units and shares of restricted stock, subject to compliance with financial covenants, up to an aggregate amount of $2.5 million per year. All shares purchased during the three months ended September 30, 2017, were purchased to fund withholding taxes in connection with the vesting of shares of restricted stock.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

None.

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## ITEM 6. EXHIBITS.

| Exhibit Number | Description |
|---|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) (17 CFR 240.15d-14(a)). |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) (17 CFR 240.15d-14(a)). |
| 32.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(b)/15d-14(b) (17 CFR 240.15d-14(b)) and 18 U.S.C. Section 1350. |
| 32.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(b)/15d-14(b) (17 CFR 240.15d-14(b)) and 18 U.S.C. Section 1350. |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| | **BEASLEY BROADCAST GROUP, INC.** |
| Dated: November 6, 2017 | /s/ Caroline Beasley<br>Name: Caroline Beasley<br>Title: Chief Executive Officer (principal executive officer) |
| Dated: November 6, 2017 | /s/ Marie Tedesco<br>Name: Marie Tedesco<br>Title: Chief Financial Officer (principal financial and accounting officer) |