iHeartCommunications, Inc.
Form 10-Q
November 09, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

[X]	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _________ TO __________

Commission File Number
001-09645
IHEARTCOMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Texas	74-1787539
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 East Basse Road, Suite 100 San Antonio, Texas	78209
(Address of principal executive offices)	(Zip Code)

(210) 822-2828
(Registrant’s telephone number, including area code)

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

(Explanatory Note: The registrant is a voluntary filer and is therefore not subject to the filing requirements of the Securities Exchange Act of 1934. However, during the preceding 12 months, and pursuant to the bond indentures of iHeartCommunications, Inc., the registrant has filed all reports that it would have been required to file by Section 13 or 15(d) of the Securities Exchange Act of 1934 if the registrant was subject to the filing requirements of the Securities Exchange Act of 1934 during such timeframe.)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or

a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer [X] Smaller reporting company [ ]

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

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

Class	Outstanding at November 7, 2016
~ ~	~ ~
Common Stock, $.001 par value	500,000,000

The registrant meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this form in a reduced disclosure format permitted by General Instruction H(2).

IHEARTCOMMUNICATIONS, INC.
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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
IHEARTCOMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	September 30, 2016 (Unaudited)	December 31, 2015
CURRENT ASSETS		
Cash and cash equivalents	$542,910	$772,678
Accounts receivable, net of allowance of $36,556 in 2016 and $34,889 in 2015	1,392,997	1,442,038
Prepaid expenses	205,750	189,055
Assets held for sale	55,184	295,075
Other current assets	79,682	79,269
Total Current Assets	2,276,523	2,778,115
PROPERTY, PLANT AND EQUIPMENT		
Structures, net	1,254,395	1,391,880
Other property, plant and equipment, net	784,459	820,676
INTANGIBLE ASSETS AND GOODWILL		
Indefinite-lived intangibles - licenses	2,414,041	2,413,483
Indefinite-lived intangibles - permits	961,194	971,327
Other intangibles, net	798,742	953,660
Goodwill	4,108,950	4,128,887
OTHER ASSETS		
Other assets	225,968	215,087
Total Assets	$12,824,272	$13,673,115
CURRENT LIABILITIES		
Accounts payable	$111,066	$153,276
Accrued expenses	731,793	834,416
Accrued interest	152,066	279,100
Deferred income	238,763	210,924
Current portion of long-term debt	204,591	181,512
Total Current Liabilities	1,438,279	1,659,228
Long-term debt	20,249,812	20,539,099
Deferred income taxes	1,541,335	1,554,898
Other long-term liabilities	557,626	526,571
Commitments and contingent liabilities (Note 4)		
SHAREHOLDER’S DEFICIT		
Noncontrolling interest	157,026	177,615
Common stock, par value $.001 per share, authorized and issued 500,000,000 shares in 2016 and 2015, respectively	500	500
Additional paid-in capital	2,067,403	2,066,622
Accumulated deficit	(12,839,371)	(12,437,011)
Accumulated other comprehensive loss	(348,338)	(414,407)
Total Shareholder's Deficit	(10,962,780)	(10,606,681)
Total Liabilities and Shareholder's Deficit	$12,824,272	$13,673,115

See Notes to Consolidated Financial Statements

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IHEARTCOMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

(In thousands)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenue	$1,570,418	$1,579,514	$4,552,455	$4,523,937
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	595,576	627,150	1,781,193	1,820,005
Selling, general and administrative expenses (excludes depreciation and amortization)	421,700	429,426	1,281,849	1,270,869
Corporate expenses (excludes depreciation and amortization)	86,779	74,775	252,308	232,492
Depreciation and amortization	158,453	166,320	476,053	505,167
Impairment charges	8,000	21,631	8,000	21,631
Other operating income (expense), net	(505)	6,914	219,768	98,694
Operating income	299,405	267,126	972,820	772,467
Interest expense	459,852	453,921	1,389,793	1,348,649
Loss on investments, net	(13,767)	(5,000)	(13,767)	(4,421)
Equity in earnings (loss) of nonconsolidated affiliates	1,117	(857)	(926)	(1,216)
Gain (loss) on extinguishment of debt	157,556	—	157,556	(2,201)
Other income (expense), net	(7,323)	(17,976)	(47,054)	18,126
Loss before income taxes	(22,864)	(210,628)	(321,164)	(565,894)
Income tax expense	(5,613)	(2,841)	(42,243)	(81,523)
Consolidated net loss	(28,477)	(213,469)	(363,407)	(647,417)
Less amount attributable to noncontrolling interest	6,474	8,448	38,953	13,932
Net loss attributable to the Company	$(34,951)	$(221,917)	$(402,360)	$(661,349)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	7,356	(22,102)	43,797	(101,983)
Unrealized holding gain (loss) on marketable securities	(290)	(149)	(635)	540
Reclassification adjustments	—	—	32,823	—
Other adjustments to comprehensive income (loss)	193	—	(3,551)	(1,154)
Other comprehensive income (loss)	7,259	(22,251)	72,434	(102,597)
Comprehensive loss	(27,692)	(244,168)	(329,926)	(763,946)
Less amount attributable to noncontrolling interest	1,235	(8,540)	6,365	(19,180)
Comprehensive loss attributable to the Company	$(28,927)	$(235,628)	$(336,291)	$(744,766)

See Notes to Consolidated Financial Statements

IHEARTCOMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)	Nine Months Ended September 30, 2016	2015
Cash flows from operating activities:		
Consolidated net loss	$(363,407)	$(647,417)
Reconciling items:		
Impairment charges	8,000	21,631
Depreciation and amortization	476,053	505,167
Deferred taxes	(14,097)	15,685
Provision for doubtful accounts	20,042	20,721
Amortization of deferred financing charges and note discounts, net	51,806	47,401
Share-based compensation	10,310	7,918
Gain on disposal of operating and other assets	(227,765)	(108,090)
Loss on investments	13,767	4,421
Equity in loss of nonconsolidated affiliates	926	1,216
(Gain) loss on extinguishment of debt	(157,556)	2,201
Other reconciling items, net	24,407	(18,716)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
(Increase) decrease in accounts receivable	16,909	(93,312)
Increase in prepaid expenses and other current assets	(17,836)	(51,685)
Decrease in accrued expenses	(60,515)	(43,652)
Decrease in accounts payable	(39,660)	(10,955)
Decrease in accrued interest	(92,947)	(62,149)
Increase in deferred income	37,550	36,579
Changes in other operating assets and liabilities	41,435	9,887
Net cash used for operating activities	(272,578)	(363,149)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(201,038)	(192,492)
Proceeds from disposal of assets	604,044	405,284
Purchases of other operating assets	(3,464)	(6,358)
Change in other, net	(33,230)	(32,483)
Net cash provided by investing activities	366,312	173,951
Cash flows from financing activities:		
Draws on credit facilities	—	310,000
Payments on credit facilities	(1,728)	(123,304)
Proceeds from long-term debt	800	950,000
Payments on long-term debt	(226,640)	(931,372)
Payments to purchase noncontrolling interests	—	(42,798)
Dividends and other payments to noncontrolling interests	(93,371)	(28,088)
Change in other, net	(1,644)	(7,734)
Net cash provided by (used for) financing activities	(322,583)	126,704
Effect of exchange rate changes on cash	(919)	(11,684)
Net decrease in cash and cash equivalents	(229,768)	(74,178)
Cash and cash equivalents at beginning of period	772,678	457,024
Cash and cash equivalents at end of period	$542,910	$382,846
SUPPLEMENTAL DISCLOSURES:		

Cash paid for interest	$1,434,482	$1,364,055
Cash paid for taxes	39,288	37,299

See Notes to Consolidated Financial Statements

IHEARTCOMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

Preparation of Interim Financial Statements

All references in this Quarterly Report on Form 10-Q to the “Company,” “we,” “us” and “our” refer to iHeartCommunications, Inc. and its consolidated subsidiaries. The Company’s reportable segments are iHeartMedia (“iHM”), Americas outdoor advertising (“Americas outdoor” or “Americas outdoor advertising”) and International outdoor advertising (“International outdoor” or “International outdoor advertising”).

The accompanying consolidated financial statements were prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, in the opinion of management, include all normal and recurring adjustments necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods may not be indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2015 Annual Report on Form 10-K.

We are a holding company and have no significant assets other than the ownership interests in our subsidiaries. All of our operations and all of our operating assets are held by our subsidiaries. Certain of our outstanding indebtedness is fully and unconditionally guaranteed on a joint and several basis by our parent, iHeartMedia Capital I, LLC ("Capital I"), and certain of our direct and indirect wholly-owned domestic subsidiaries. Not all of our subsidiaries guarantee our obligations under such outstanding indebtedness. For a presentation of the allocation of assets, liabilities, equity, revenues and expenses attributable to the guarantors of our indebtedness in conformity with the SEC's Regulation S-X Rule 3-10(d), please refer to Note 10 to the consolidated financial statements of Capital I as of and for the period ending September 30, 2016.

The consolidated financial statements include the accounts of the Company and its subsidiaries. Also included in the consolidated financial statements are entities for which the Company has a controlling financial interest or is the primary beneficiary. Investments in companies in which the Company owns 20% to 50% of the voting common stock or otherwise exercises significant influence over operating and financial policies of the company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process. Certain prior-period amounts have been reclassified to conform to the 2016 presentation.

The Company is a Texas corporation with all of its common stock being held by Capital I. All of Capital I's interests are held by iHeartMedia Capital II, LLC, a direct, wholly-owned subsidiary of iHeartMedia, Inc. ("Parent"). Parent was formed in May 2007 by private equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. (together, the "Sponsors") for the purpose of acquiring the business of the Company.

During the first quarter of 2016, the Company reevaluated its segment reporting and determined that its iHeartMedia Revenue Platform (iHMRP) business, an information technology group dedicated to system development, implementation and maintenance of the Company’s radio revenue platforms, should be managed by its Corporate leadership team. As a result, the operations of the iHMRP business are no longer reflected within the Other segment and are included in the results of its Corporate segment. Accordingly, the Company has recast the corresponding prior year segment disclosures to reflect the current year presentation.

Omission of Per Share Information

Net loss per share information is not presented as Capital I owns 100% of the Company's common stock. The Company does not have any publicly traded common stock.

New Accounting Pronouncements

During the second quarter of 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.

This update provides U.S. GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, the Company will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in this update are effective for the annual period

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IHEARTCOMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is currently evaluating the impact of the provisions of this new standard on its consolidated financial statements.

During the first quarter of 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810), Amendments to the Consolidation Analysis. This new standard eliminates the deferral of FAS 167, which has allowed entities with interest in certain investment funds to follow the previous consolidation guidance in FIN 46(R) and makes other changes to both the variable interest model and the voting model. The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

During the second quarter of 2015, the FASB issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This update simplifies the presentation of debt issuance costs as a deduction from the carrying value of the outstanding debt balance rather than showing the debt issuance costs as an asset. The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. The retrospective adoption of this guidance resulted in the reclassification of debt issuance costs of $148.0 million as of December 31, 2015, which are now reflected as “Long-term debt fees” in Note 3.

During the third quarter of 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. This update provides a one-year deferral of the effective date for ASU No. 2014-09, Revenue from Contracts with Customers. ASU No. 2014-09 provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under U.S. GAAP. The standard is effective for the first interim period within annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the provisions of this new standard on its consolidated financial statements.

During the third quarter of 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This update eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The standard is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

During the first quarter of 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new leasing standard presents significant changes to the balance sheets of lessees. Lessor accounting is updated to align with certain changes in the lessee model and the new revenue recognition standard which was issued in the third quarter of 2015. The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2018. The Company is currently evaluating the impact of the provisions of this new standard on its consolidated financial statements.

During the second quarter of 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718). This update changes the accounting for certain aspects of share-based payments to employees. Income tax effects of share-based payment awards will be recognized in the income statement with the vesting or settlement of the awards and the record keeping for additional paid-in capital pools will no longer be necessary. Additionally, companies can make a policy election to either estimate forfeitures or recognize them as they occur. The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2016. The Company is currently evaluating the impact of the provisions of this new standard on its consolidated financial statements.

During the second quarter of 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326). The new standard changes the impairment model for most financial assets and certain other instruments. Entities will be required to use a model that will result in the earlier recognition of allowances for losses for trade and other receivables, held-to-maturity debt securities, loans and other instruments. For available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. For an SEC filer, the standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2019. The Company is currently evaluating the impact of the provisions of this new standard on its consolidated financial statements.

During the third quarter of 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230). The new standard addresses the classification of cash flows related to certain cash receipts and cash payments. Additionally, the standard clarifies

IHEARTCOMMUNICATIONS, INC. AND SUBSIDIARIES
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how the predominance principle should be used when cash receipts and cash payments have aspects of more than one class of cash flows. First, an entity will apply the guidance in Topic 230 and other applicable topics. If there is no guidance for those cash receipts and cash payments, an entity will determine each separately identifiable source or use and classify the receipt or payment based on the nature of the cash flow. If a receipt or payment has aspects of more than one class of cash flows and cannot be separated, the classification will depend on the predominant source of use. The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2017. The Company is currently evaluating the impact of the provisions of this new standard on its consolidated financial statements.

NOTE 2 – PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

Dispositions

During the first quarter of 2016, Parent and certain of the Company's subsidiaries completed the final closing for the sale of six of the Company's broadcast communication tower sites and related assets for approximately $5.5 million. Simultaneous with the sale, the Company entered into lease agreements for the continued use of space on all six of the towers sold. The Company realized a net gain of $2.7 million, of which $1.9 million was deferred and will be recognized over the lease term.

During the first quarter of 2016, Americas outdoor sold nine non-strategic outdoor markets including Cleveland and Columbus, Ohio, Des Moines, Iowa, Ft. Smith, Arkansas, Memphis, Tennessee, Portland, Oregon, Reno, Nevada, Seattle, Washington and Wichita, Kansas for net proceeds, which included cash and certain advertising assets in Florida, totaling $592.6 million. The Company recognized a net gain of $278.3 million related to the sale, which is included within Other operating income (expense), net.

During the first quarter of 2016, Americas outdoor also entered into an agreement to sell its Indianapolis, Indiana market in exchange for certain assets in Atlanta, Georgia, plus approximately $41.2 million in cash. The transaction is subject to regulatory approval and is expected to close in 2016. This transaction has met the criteria to be classified as held-for-sale and as such, the related assets are separately presented on the face of the Consolidated Balance Sheet.

During the second quarter of 2016, International outdoor sold its business in Turkey. As a result, the Company recognized a net loss of $56.6 million, which includes $32.2 million in cumulative translation adjustments that were recognized upon the sale of the Company's subsidiaries in Turkey.

On October 24, 2016, the Company sold its International outdoor business in Australia ("Australia Outdoor"), for cash proceeds of $203.9 million. As of September 30, 2016, Australia Outdoor had $48.6 million in current assets, $56.2 million in property, plant & equipment, $5.7 million in other assets, $31.1 million in current liabilities and $9.0 million in long-term liabilities. Australia Outdoor revenue, direct expenses, SG&A expenses and depreciation and amortization for the nine months ended September 30, 2016 were $96.0 million, $56.2 million, $18.5 million and $9.4 million, respectively, and $83.6 million, $51.9 million, $16.1 million and $7.3 million for the nine months ended September 30, 2015, respectively.

Property, Plant and Equipment

The Company's property, plant and equipment consisted of the following classes of assets as of September 30, 2016 and December 31, 2015, respectively:

(In thousands)	September 30, 2016	December 31, 2015
Land, buildings and improvements	$595,511	$603,234
Structures	2,755,221	2,824,794
Towers, transmitters and studio equipment	349,260	347,877
Furniture and other equipment	618,302	591,149
Construction in progress	95,684	69,042

	4,413,978	4,436,096
Less: accumulated depreciation	2,375,124	2,223,540
Property, plant and equipment, net	$2,038,854	$2,212,556

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IHEARTCOMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Indefinite-lived Intangible Assets

The Company's indefinite-lived intangible assets consist of Federal Communications Commission ("FCC") broadcast licenses in its iHM segment and billboard permits in its Americas outdoor advertising segment. Due to significant differences in both business practices and regulations, billboards in the International outdoor segment are subject to long-term, finite contracts unlike the Company's permits in the United States and Canada. Accordingly, there are no indefinite-lived intangible assets in the International outdoor segment.

Annual Impairment Test on Indefinite-lived Intangible Assets

The Company performs its annual impairment test on indefinite-lived intangible assets as of July 1 of each year.

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

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

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

The key assumptions using the direct valuation method are market revenue growth rates, market share, profit margin, duration and profile of the build-up period, estimated start-up capital costs and losses incurred during the build-up period, the risk-adjusted discount rate and terminal values. This data is populated using industry normalized information representing an average FCC license or billboard permit within a market.

The Company recognized impairment charges related to its indefinite-lived intangible assets of $0.7 million during the three and nine months ended September 30, 2016. The Company recognized impairment charges related to its indefinite-lived intangible assets of $21.6 million during the three and nine months ended September 30, 2015.

Other Intangible Assets

Other intangible assets include definite-lived intangible assets and permanent easements. The Company's definite-lived intangible assets primarily include transit and street furniture contracts, talent and representation contracts, customer and advertiser relationships, and site-leases and other contractual rights, all of which are amortized over the shorter of either the respective lives of the agreements or over the period of time the assets are expected to contribute directly or indirectly to the Company's future cash flows. Permanent easements are indefinite-lived intangible assets which include certain rights to use real property not owned by the Company. The Company periodically reviews the appropriateness of the amortization periods related to its definite-lived intangible assets. These assets are recorded at cost.

The following table presents the gross carrying amount and accumulated amortization for each major class of other intangible assets as of September 30, 2016 and December 31, 2015, respectively:

IHEARTCOMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(In thousands)	September 30, 2016		December 31, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other outdoor contractual rights	$589,703	$(438,087)	$635,772	$(457,060)
Customer / advertiser relationships	1,222,518	(982,173)	1,222,518	(891,488)
Talent contracts	319,384	(273,946)	319,384	(252,526)
Representation contracts	253,719	(226,539)	239,142	(217,770)
Permanent easements	157,347	—	156,349	—
Other	389,893	(213,077)	394,983	(195,644)
Total	$2,932,564	$(2,133,822)	$2,968,148	$(2,014,488)

Total amortization expense related to definite-lived intangible assets for the three months ended September 30, 2016 and 2015 was $55.6 million and $57.3 million, respectively. Total amortization expense related to definite-lived intangible assets for the nine months ended September 30, 2016 and 2015 was $167.7 million and $180.9 million, respectively.

As acquisitions and dispositions occur in the future, amortization expense may vary. The following table presents the Company's estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangible assets:

(In thousands)	
2017	$200,177
2018	130,076
2019	47,061
2020	39,208
2021	33,805

Goodwill

Annual Impairment Test to Goodwill

The Company performs its annual impairment test on goodwill as of July 1 of each year.

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

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

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

The Company recognized goodwill impairment of $7.3 million during the three and nine months ended September 30, 2016
related to one market in the Company's International outdoor segment and concluded no goodwill impairment charge was required for the three and nine months ended September 30, 2015.

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

(In thousands)	iHM	Americas Outdoor Advertising	International Outdoor Advertising	Other	Consolidated
Balance as of December 31, 2014	$3,288,481	$584,574	$232,538	$81,831	$4,187,424
Acquisitions	—	—	10,998	—	10,998
Foreign currency	—	(709)	(19,644)	—	(20,353)
Assets held for sale	—	(49,182)	—	—	(49,182)
Balance as of December 31, 2015	$3,288,481	$534,683	$223,892	$81,831	$4,128,887
Impairment	—	—	(7,274)	—	(7,274)
Dispositions	—	(6,934)	—	—	(6,934)
Foreign currency	—	(1,805)	6,413	—	4,608
Assets held for sale	—	(10,337)	—	—	(10,337)
Balance as of September 30, 2016	$3,288,481	$515,607	$223,031	$81,831	$4,108,950

NOTE 3 – LONG-TERM DEBT

Long-term debt outstanding as of September 30, 2016 and December 31, 2015 consisted of the following:

(In thousands)	September 30, 2016	December 31, 2015
Senior Secured Credit Facilities[(1)]	$6,300,000	$6,300,000
Receivables Based Credit Facility Due 2017[(2)]	230,000	230,000
9.0% Priority Guarantee Notes Due 2019	1,999,815	1,999,815
9.0% Priority Guarantee Notes Due 2021	1,750,000	1,750,000
11.25% Priority Guarantee Notes Due 2021	575,000	575,000
9.0% Priority Guarantee Notes Due 2022	1,000,000	1,000,000
10.625% Priority Guarantee Notes Due 2023	950,000	950,000
Subsidiary Revolving Credit Facility Due 2018[(3)]	—	—
Other secured subsidiary debt[(4)]	24,610	25,228
Total consolidated secured debt	12,829,425	12,830,043
14.0% Senior Notes Due 2021[(5)]	1,729,168	1,695,097
Legacy Notes[(6)]	667,900	667,900
10.0% Senior Notes Due 2018[(7)]	347,028	730,000
Subsidiary Senior Notes due 2022	2,725,000	2,725,000
Subsidiary Senior Subordinated Notes due 2020	2,200,000	2,200,000
Clear Channel International B.V. Senior Notes due 2020	225,000	225,000
Other subsidiary debt	28,663	165
Purchase accounting adjustments and original issue discount	(176,863)	(204,611)
Long-term debt fees	(120,918)	(147,983)
Total debt	20,454,403	20,720,611
Less: current portion	204,591	181,512
Total long-term debt	$20,249,812	$20,539,099

(1) Term Loan D and Term Loan E mature in 2019.

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(2) The Receivables Based Credit Facility provides for borrowings up to the lesser of $535.0 million (the revolving credit commitment) or the borrowing base, subject to certain limitations contained in the Company's material financing agreements.

(3) The Subsidiary Revolving Credit Facility provides for borrowings up to $75.0 million (the revolving credit commitment).

(4) Other secured subsidiary debt matures at various dates from 2016 through 2045.

(5) The 14.0% Senior Notes due 2021 are subject to required payments at various dates from 2018 through 2021. 2.0% per annum of the interest is paid through the issuance of payment-in-kind notes in the first and third quarters.

(6) The Legacy Notes, all of which were issued prior to the acquisition of the Company by Parent in 2008, consist of Senior Notes maturing at various dates in 2016, 2018 and 2027.

(7) On July 15, 2016, Broader Media, LLC, an indirect wholly-owned subsidiary of the Company, repurchased approximately $383.0 million aggregate principal amount of the Company's 10.0% Senior Notes due 2018 for an aggregate purchase price of approximately $222.2 million.

The Company’s weighted average interest rate as of September 30, 2016 and December 31, 2015 was 8.5%. The aggregate market value of the Company’s debt based on market prices for which quotes were available was approximately $16.5 billion and $15.2 billion as of September 30, 2016 and December 31, 2015, respectively. Under the fair value hierarchy established by ASC 820-10-35, the market value of the Company’s debt is classified as either Level 1 or Level 2.

Surety Bonds, Letters of Credit and Guarantees

As of September 30, 2016, the Company had outstanding surety bonds, commercial standby letters of credit and bank guarantees of $60.9 million, $99.0 million and $59.9 million, respectively. Bank guarantees of $26.1 million were backed by cash collateral. These surety bonds, letters of credit and bank guarantees relate to various operational matters including insurance, bid, concession and performance bonds as well as other items.

Solicitation of Consents for Senior Notes due 2021

On October 4, 2016, the Company announced the successful completion of the solicitation of consents (the “Consent Solicitation”) from holders of its outstanding Senior Notes due 2021 (the “2021 Notes”) to an amendment to the indenture governing the 2021 Notes (the “Indenture”) to increase the aggregate principal amount of indebtedness under Credit Facilities (as defined in the Indenture) permitted to be incurred under Section 4.09(b)(1) of the Indenture by $500.0 million to $17.3 billion. We paid an aggregate consent fee of $8.6 million to holders of the 2021 Notes that consented to the amendment in accordance with the terms of the Consent Solicitation, which will be amortized over the remaining term of the 2021 Notes.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

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

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

International Outdoor Investigation

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

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Stockholder Litigation

On May 9, 2016, a stockholder of Clear Channel Outdoor Holdings, Inc. ("CCOH") filed a derivative lawsuit in the Court of Chancery of the State of Delaware, captioned GAMCO Asset Management Inc. v. iHeartMedia Inc. et al., C.A. No. 12312-VCS. The complaint names as defendants us, Parent, Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. (together, the "Sponsor Defendants"), Parent's private equity sponsors and majority owners, and the members of CCOH's board of directors. CCOH also is named as a nominal defendant. The complaint alleges that the defendants have breached their fiduciary duties by causing CCOH to: (i) continue to loan cash to us under the intercompany note at below-market rates; (ii) abandon its growth and acquisition strategies in favor of transactions that would provide cash to us and Parent; (iii) issue new debt in the CCIBV note offering (the "CCIBV Note Offering") to provide cash to us and Parent through a dividend; and (iv) effect the sales of certain outdoor markets in the U.S. (the "Outdoor Asset Sales") allegedly to provide cash to us and Parent through a dividend. The complaint also alleges that we, Parent and the Sponsor Defendants aided and abetted the directors' breaches of their fiduciary duties. The complaint further alleges that we, Parent and the Sponsor Defendants were unjustly enriched as a result of these transactions and that these transactions constituted a waste of corporate assets for which the defendants are liable to CCOH. The plaintiff is seeking, among other things, a ruling that the defendants breached their fiduciary duties to CCOH and that we, Parent and the Sponsor Defendants aided and abetted the CCOH board of directors' breaches of fiduciary duty, rescission of payments made by CCOH to us and our affiliates pursuant to dividends declared in connection with the CCIBV Note Offering and Outdoor Asset Sales, and an order requiring us, Parent and the Sponsor Defendants to disgorge all profits they have received as a result of the alleged fiduciary misconduct.

On May 26, 2016, the plaintiff filed a motion seeking expedited discovery and an expedited trial on certain counts of its complaint. On June 27, 2016, the court denied the motion for an expedited trial and discovery, and on July 12, 2016, the parties stipulated to a schedule that would allow for a decision on the defendants' forthcoming motion to dismiss by mid-September and a trial, if necessary, beginning February 27, 2017.

On July 20, 2016, the defendants filed a motion to dismiss plaintiff's verified stockholder derivative complaint for failure to state a claim upon which relief can be granted. A hearing was held on defendants' motion to dismiss on September 12, 2016. The court has not yet ruled on the motion.

NOTE 5 – INCOME TAXES

Income Tax Expense

The Company’s income tax expense for the three and nine months ended September 30, 2016 and 2015, respectively, consisted of the following components:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Current tax expense	$(9,339)	$(2,144)	$(56,340)	$(65,838)
Deferred tax benefit (expense)	3,726	(697)	14,097	(15,685)
Income tax expense	$(5,613)	$(2,841)	$(42,243)	$(81,523)

The effective tax rates for the three and nine months ended September 30, 2016 were (24.5)% and (13.2)%, respectively. The effective tax rates for the three and nine months ended September 30, 2015 were (1.3)% and (14.4)%, respectively. The 2016 and 2015 effective tax rates were primarily impacted by the valuation allowance recorded against deferred tax assets resulting from current period net operating losses in U.S. federal, state and certain foreign jurisdictions due to uncertainty regarding the Company's ability to realize those assets in future periods.

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NOTE 6 – SHAREHOLDER'S DEFICIT

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

(In thousands)	The Company	Noncontrolling Interests	Consolidated
Balance as of January 1, 2016	$(10,784,296)	$ 177,615	$(10,606,681)
Net income (loss)	(402,360)	38,953	(363,407)
Dividends and other payments to noncontrolling interests	—	(74,542)	(74,542)
Share-based compensation	2,170	8,140	10,310
Foreign currency translation adjustments	40,914	2,883	43,797
Unrealized holding loss on marketable securities	(571)	(64)	(635)
Reclassification adjustments	28,919	3,904	32,823
Other adjustments to comprehensive loss	(3,193)	(358)	(3,551)
Other, net	(1,389)	495	(894)
Balances as of September 30, 2016	$(11,119,806)	$ 157,026	$(10,962,780)

(In thousands)	The Company	Noncontrolling Interests	Consolidated
Balance as of January 1, 2015	$(9,889,348)	$ 224,140	$(9,665,208)
Net income (loss)	(661,349)	13,932	(647,417)
Dividends and other payments to noncontrolling interests	—	(28,088)	(28,088)
Purchase of additional noncontrolling interests	(40,820)	(1,978)	(42,798)
Share-based compensation	1,873	6,045	7,918
Foreign currency translation adjustments	(82,865)	(19,118)	(101,983)
Unrealized holding gain on marketable securities	484	56	540
Other adjustments to comprehensive loss	(1,036)	(118)	(1,154)
Other, net	(618)	4,772	4,154
Balances as of September 30, 2015	$(10,673,679)	$ 199,643	$(10,474,036)

The Company does not have any compensation plans under which it grants awards to employees. Parent has granted restricted stock and CCOH has granted restricted stock, restricted stock units and options to purchase shares of CCOH's Class A common stock to certain key individuals.

NOTE 7 — OTHER INFORMATION

Other Comprehensive Income (Loss)

The total (decrease) increase in deferred income tax liabilities of other adjustments to comprehensive loss for the three months ended September 30, 2016 and 2015 were $0.1 million and $0.0 million, respectively. The total (decrease) increase in deferred income tax liabilities of other adjustments to comprehensive loss for the nine months ended September 30, 2016 and 2015 were $(0.7) million and $(0.6) million, respectively.

Barter and Trade

Barter and trade revenues and expenses are included in consolidated revenue and selling, general and administrative expenses, respectively. Barter and trade revenues were $30.2 million and $30.4 million for the three months ended September 30, 2016 and 2015, respectively, and $105.7 million and $88.1 million for the nine months ended September 30, 2016 and 2015, respectively. Barter and trade expenses were $22.5 million and $30.6 million for the three months ended September 30, 2016 and 2015, respectively, and $80.0 million and $84.9 million for the nine months ended September 30, 2016 and 2015, respectively.

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Barter and trade revenues include $5.4 million and $22.1 million of revenue recognized in connection with advertising provided in the three and nine months ended September 30, 2016, respectively, in exchange for investments in certain non-public companies. There is no offsetting barter expense associated with these non-cash transactions.

Investments

During the third quarter of 2016 the Company determined that one of its cost-method investments had declined in value. Such decline in value was considered to be other than temporary, and the Company recorded a loss on investments of $14.5 million to state the investment at its estimated fair value.

NOTE 8 – SEGMENT DATA

The Company's reportable segments, which it believes best reflect how the Company is currently managed, are iHM, Americas outdoor advertising and International outdoor advertising. Revenue and expenses earned and charged between segments are recorded at estimated fair value and eliminated in consolidation. The iHM segment provides media and entertainment services via broadcast and digital delivery and also includes the Company's events and national syndication businesses. The Americas outdoor advertising segment consists of operations primarily in the United States, Canada and Latin America. The International outdoor advertising segment primarily includes operations in Europe, Asia and Australia. The Other category includes the Company's media representation business as well as other general support services and initiatives that are ancillary to the Company's other businesses. Corporate includes infrastructure and support, including information technology, human resources, legal, finance and administrative functions for each of the Company's reportable segments, as well as overall executive, administrative and support functions. Share-based payments are recorded in corporate expense.

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During the first quarter of 2016, the Company revised its segment reporting as discussed in Note 1. The following table presents the Company's reportable segment results for the three and nine months ended September 30, 2016 and 2015:

(In thousands)	iHM	Americas Outdoor	International Outdoor	Other	Corporate and other reconciling items	Eliminations	Consolidated
Three Months Ended September 30, 2016							
Revenue	$857,099	$322,997	$ 350,060	$41,414	$—	$ (1,152)	$1,570,418
Direct operating expenses	229,668	142,989	223,097	(178)	—	—	595,576
Selling, general and administrative expenses	268,612	54,500	71,664	27,466	—	(542)	421,700
Corporate expenses	—	—	—	—	87,389	(610)	86,779
Depreciation and amortization	60,691	47,242	37,018	4,483	9,019	—	158,453
Impairment charges	—	—	—	—	8,000	—	8,000
Other operating expense, net	—	—	—	—	(505)	—	(505)
Operating income (loss)	$298,128	$78,266	$ 18,281	$9,643	$(104,913)	$ —	$299,405
Intersegment revenues	$—	$1,152	$ —	$—	$—	$ —	$1,152
Capital expenditures	$23,238	$19,114	$ 30,803	$582	$3,596	$ —	$77,333
Share-based compensation expense	$—	$—	$ —	$—	$3,431	$ —	$3,431
Three Months Ended September 30, 2015							
Revenue	$846,865	$347,336	$ 348,941	$36,719	$—	$ (347)	$1,579,514
Direct operating expenses	253,848	149,072	223,644	586	—	—	627,150
Selling, general and administrative expenses	272,065	59,539	73,020	25,149	—	(347)	429,426
Corporate expenses	—	—	—	—	74,775	—	74,775
Depreciation and amortization	59,402	50,121	41,564	4,370	10,863	—	166,320
Impairment charges	—	—	—	—	21,631	—	21,631
Other operating income, net	—	—	—	—	6,914	—	6,914
Operating income (loss)	$261,550	$88,604	$ 10,713	$6,614	$(100,355)	$ —	$267,126
Intersegment revenues	$—	$347	$ —	$—	$—	$ —	$347
Capital expenditures	$14,426	$18,557	$ 28,665	$551	$5,416	$ —	$67,615
Share-based compensation expense	$—	$—	$ —	$—	$2,991	$ —	$2,991

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(In thousands)	iHM	Americas Outdoor	International Outdoor	Other	Corporate and other reconciling items	Eliminations	Consolidated
Nine Months Ended September 30, 2016							
Revenue	$2,463,899	$931,058	$1,044,866	$114,663	$—	$ (2,031)	$4,552,455
Direct operating expenses	704,097	421,039	654,802	1,255	—	—	1,781,193
Selling, general and administrative expenses	812,344	167,660	220,872	82,394	—	(1,421)	1,281,849
Corporate expenses	—	—	—	—	252,918	(610)	252,308
Depreciation and amortization	182,506	140,883	113,075	12,809	26,780	—	476,053
Impairment charges	—	—	—	—	8,000	—	8,000
Other operating income, net	—	—	—	—	219,768	—	219,768
Operating income (loss)	$764,952	$201,476	$56,117	$18,205	$(67,930)	$ —	$972,820
Intersegment revenues	$—	$2,031	$—	$—	$—	$ —	$2,031
Capital expenditures	$46,303	$47,808	$97,487	$1,758	$7,682	$ —	$201,038
Share-based compensation expense	$—	$—	$—	$—	$10,310	$ —	$10,310
Nine Months Ended September 30, 2015							
Revenue	$2,385,367	$984,485	$1,049,654	$106,941	$—	$ (2,510)	$4,523,937
Direct operating expenses	709,503	445,018	663,011	2,473	—	—	1,820,005
Selling, general and administrative expenses	799,370	172,522	219,689	81,798	—	(2,510)	1,270,869
Corporate expenses	—	—	—	—	232,492	—	232,492
Depreciation and amortization	179,703	151,574	124,961	16,842	32,087	—	505,167
Impairment charges	—	—	—	—	21,631	—	21,631
Other operating income, net	—	—	—	—	98,694	—	98,694
Operating income (loss)	$696,791	$215,371	$41,993	$5,828	$(187,516)	$ —	$772,467
Intersegment revenues	$—	$2,510	$—	$—	$—	$ —	$2,510
Capital expenditures	$44,106	$50,916	$85,522	$1,346	$10,602	$ —	$192,492
Share-based compensation expense	$—	$—	$—	$—	$7,918	$ —	$7,918

NOTE 9 – CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Parent is a party to a management agreement with certain affiliates of the Sponsors and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until 2018. These agreements require management fees to be paid to such affiliates of the Sponsors for such services at a rate not greater than $15.0 million per year, plus reimbursable expenses. For the three months ended September 30, 2016 and 2015, the Company recognized management fees and reimbursable expenses of $3.9 million and $3.9 million, respectively. For the nine months ended September 30, 2016 and 2015, the Company recognized management fees and reimbursable expenses of $11.5 million and $11.7 million, respectively.

On July 15, 2016, Broader Media, LLC, an indirect wholly-owned subsidiary of the Company (“Broader Media”), repurchased from unaffiliated third parties approximately $285.0 million aggregate principal amount of the Company's 10.0% Senior Notes due 2018 (the “2018 Notes”) for an aggregate purchase price of approximately $165.3

million (the “Third Party Transaction”). On the same day, Broader Media repurchased an additional $98.0 million aggregate principal amount of the 2018 Notes from investment firms affiliated with David C. Abrams, a member of our Board of Directors for an aggregate purchase price of approximately $56.9 million (the “Abrams Transaction”). The Abrams Transaction was made at the same price and on terms substantially similar to those of the Third Party Transaction. In accordance with our related party transaction policy, the Abrams

Transaction was approved by a majority of the disinterested directors on our Board. As a result of the Third Party Transaction and the Abrams Transaction, the Company recognized a gain on extinguishment of debt of $157.6 million.

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

Format of Presentation

Management's discussion and analysis of our financial condition and results of operations ("MD&A") should be read in conjunction with the consolidated financial statements and related footnotes contained in Item 1 of this Quarterly Report on Form 10-Q. Our discussion is presented on both a consolidated and segment basis. Our reportable segments are iHeartMedia ("iHM"), Americas outdoor advertising ("Americas outdoor" or "Americas outdoor advertising") and International outdoor advertising ("International outdoor" or "International outdoor advertising"). Our iHM segment provides media and entertainment services via live broadcast and digital delivery, and also includes our national syndication business. Our Americas outdoor and International outdoor segments provide outdoor advertising services in their respective geographic regions using various digital and traditional display types. Included in the "Other" category are our media representation business, Katz Media Group, as well as other general support services and initiatives, which are ancillary to our other businesses.

We manage our operating segments primarily focusing on their operating income, while Corporate expenses, Other operating income (expense), net, Interest expense, Gain on marketable securities, Equity in earnings (loss) of nonconsolidated affiliates, Loss on extinguishment of debt, Other income, net and Income tax expense are managed on a total company basis and are, therefore, included only in our discussion of consolidated results.

Certain prior period amounts have been reclassified to conform to the 2016 presentation.

Our iHM strategy centers on delivering entertaining and informative content across multiple platforms, including broadcast, mobile and digital, as well as events. Our primary source of revenue is derived from selling local and national advertising time on our radio stations, with contracts typically less than one year in duration. The programming formats of our radio stations are designed to reach audiences with targeted demographic characteristics. We are working closely with our advertising and marketing partners to develop tools and leverage data to enable advertisers to effectively reach their desired audiences. We continue to expand the choices for listeners and we deliver our content and sell advertising across multiple distribution channels including digitally via our iHeartRadio mobile application and other digital platforms which reach national, regional and local audiences. We also generate revenues from network syndication, our nationally recognized live events, our station websites and other miscellaneous transactions.

Our outdoor advertising revenue is derived from selling advertising space on the displays we own or operate in key markets worldwide, consisting primarily of billboards, street furniture and transit displays. Part of our long-term strategy for our outdoor advertising businesses is to pursue the technology of digital displays, including flat screens, LCDs and LEDs, as additions to traditional methods of displaying our clients' advertisements. We are currently installing these technologies in certain markets, both domestically and internationally. Management typically monitors our outdoor advertising business by reviewing the average rates, average revenue per display, occupancy and inventory levels of each of our display types by market.

Our advertising revenue for all of our segments is highly correlated to changes in gross domestic product ("GDP") as advertising spending has historically trended in line with GDP, both domestically and internationally. Internationally, our results are impacted by fluctuations in foreign currency exchange rates as well as the economic conditions in the foreign markets in which we have operations.

Executive Summary

The key developments that impacted our business during the three months ended September 30, 2016 are summarized below:

- Consolidated revenue decreased $9.1 million during the three months ended September 30, 2016 compared to the same period of 2015. Excluding the $5.9 million impact from movements in foreign exchange rates, consolidated revenue decreased $3.2 million during the three months ended September 30, 2016 compared to the same period of 2015.
- In the first quarter of 2016, we sold nine non-strategic U.S. outdoor markets and in the second quarter we sold our outdoor business in Turkey. These markets generated revenue of $32.8 million in the three months ended September 30, 2015.

- On July 15, 2016, Broader Media, LLC, our indirect wholly-owned subsidiary, repurchased approximately $383.0 million aggregate principal amount of our 10.0% Senior Notes due 2018 for an aggregate purchase price of $222.2 million, resulting in a gain on extinguishment of debt of $157.6 million and we expect to realize a reduction in annual interest expense of $38.3 million.

Revenues and expenses “excluding the impact of foreign exchange movements” in this Management’s Discussion & Analysis of Financial Condition and Results of Operations are presented because management believes that viewing certain financial results without the impact of fluctuations in foreign currency rates facilitates period to period comparisons of business performance and provides useful information to investors. Revenues and expenses “excluding the impact of foreign exchange movements” are calculated by converting the current period’s revenues and expenses in local currency to U.S. dollars using average foreign exchange rates for the prior period.

Consolidated Results of Operations

The comparison of our historical results of operations for the three and nine months ended September 30, 2016 to the three and nine months ended September 30, 2015 is as follows:

(In thousands)	Three Months Ended September 30, 2016	2015	% Change	Nine Months Ended September 30, 2016	2015	% Change
Revenue	$1,570,418	$1,579,514	(0.6)%	$4,552,455	$4,523,937	0.6%
Operating expenses:						
Direct operating expenses (excludes depreciation and amortization)	595,576	627,150	(5.0)%	1,781,193	1,820,005	(2.1)%
Selling, general and administrative expenses (excludes depreciation and amortization)	421,700	429,426	(1.8)%	1,281,849	1,270,869	0.9%
Corporate expenses (excludes depreciation and amortization)	86,779	74,775	16.1%	252,308	232,492	8.5%
Depreciation and amortization	158,453	166,320	(4.7)%	476,053	505,167	(5.8)%
Impairment charges	8,000	21,631	(63.0)%	8,000	21,631	(63.0)%
Other operating income (expense), net	(505)	6,914		219,768	98,694	
Operating income	299,405	267,126	12.1%	972,820	772,467	25.9%
Interest expense	459,852	453,921		1,389,793	1,348,649	
Loss on investments, net	(13,767)	(5,000)		(13,767)	(4,421)	
Equity in earnings (loss) of nonconsolidated affiliates	1,117	(857)		(926)	(1,216)	
Gain (loss) on extinguishment of debt	157,556	—		157,556	(2,201)	
Other income (expense), net	(7,323)	(17,976)		(47,054)	18,126	
Loss before income taxes	(22,864)	(210,628)		(321,164)	(565,894)	
Income tax expense	(5,613)	(2,841)		(42,243)	(81,523)	
Consolidated net loss	(28,477)	(213,469)		(363,407)	(647,417)	
Less amount attributable to noncontrolling interest	6,474	8,448		38,953	13,932	
Net loss attributable to the Company	$(34,951)	$(221,917)		$(402,360)	$(661,349)	

Consolidated Revenue

Consolidated revenue decreased $9.1 million during the three months ended September 30, 2016 compared to the same period of 2015. Excluding the $5.9 million impact from movements in foreign exchange rates, consolidated revenue decreased $3.2 million during the three months ended September 30, 2016 compared to the same period of 2015. Revenue growth generated by our iHM business and our International outdoor business was offset by lower revenue as a result of the sale of nine non-strategic U.S. outdoor markets in the first quarter of 2016 and our Turkey market in the second quarter of 2016. These markets generated $32.8 million in revenue in the third quarter of 2015.

Consolidated revenue increased $28.6 million during the nine months ended September 30, 2016 compared to the same period of 2015. Excluding the $27.2 million impact from movements in foreign exchange rates, consolidated revenue increased $55.8 million during the nine months ended September 30, 2016 compared to the same period of 2015. Revenue growth from our iHM business was partially offset by lower revenue generated by our Americas and International outdoor businesses as a result

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of the sale of non-strategic outdoor markets which generated $95.8 million in revenue in the nine months ended September 30, 2015 compared to $13.0 million in the nine months ended September 30, 2016.

Consolidated Direct Operating Expenses

Consolidated direct operating expenses decreased $31.6 million during the three months ended September 30, 2016 compared to the same period of 2015. Excluding the $4.2 million impact from movements in foreign exchange rates, consolidated direct operating expenses decreased $27.4 million during the three months ended September 30, 2016 compared to the same period of 2015. Lower direct operating expenses in our iHM business were primarily driven by the impact of contract renegotiations, partially offset by an increase in event production costs. Lower direct operating expenses in our Americas outdoor business were primarily due to the sale of nine non-strategic U.S. outdoor markets in the first quarter of 2016. The decrease in direct operating expenses in our International outdoor business related primarily to the loss of the London bus contract and the second quarter sale of our business in Turkey, partially offset by increases primarily related to higher revenues in other countries.

Consolidated direct operating expenses decreased $38.8 million during the nine months ended September 30, 2016 compared to the same period of 2015. Excluding the $18.2 million impact from movements in foreign exchange rates, consolidated direct operating expenses decreased $20.6 million during the nine months ended September 30, 2016 compared to the same period of 2015. Lower direct operating expenses in our iHM business were primarily driven by the impact of contract renegotiations, partially offset by increases primarily related to higher revenue. Lower direct operating expenses in our Americas outdoor business were primarily due to the sale of nine non-strategic U.S. outdoor markets in the first quarter of 2016. The decrease in direct operating expenses in our International outdoor business related primarily to the loss of the London bus contract and the sale of our business in Turkey, partially offset by increases primarily related to higher revenues in other countries.

Consolidated Selling, General and Administrative (“SG&A”) Expenses

Consolidated SG&A expenses decreased $7.7 million during the three months ended September 30, 2016 compared to the same period of 2015. Excluding the $1.4 million impact from movements in foreign exchange rates, consolidated SG&A expenses decreased $6.3 million during the three months ended September 30, 2016 compared to the same period of 2015. Lower SG&A expenses were primarily driven by the sale of non-strategic outdoor markets in 2016.

Consolidated SG&A expenses increased $10.9 million during the nine months ended September 30, 2016 compared to the same period of 2015. Excluding the $6.6 million impact from movements in foreign exchange rates, consolidated SG&A expenses increased $17.5 million during the nine months ended September 30, 2016 compared to the same period of 2015. Higher SG&A expenses driven primarily by investments in sales capabilities in each of our businesses were partially offset by a decrease in SG&A expenses resulting from the sale of non-strategic outdoor markets in 2016.

Corporate Expenses

Corporate expenses increased $12.0 million during the three months ended September 30, 2016 compared to the same period of 2015 primarily due to higher expenses related to variable compensation plans, higher employee health benefits costs and higher professional fees. Excluding the $1.5 million impact from movements in foreign exchange rates, corporate expenses increased $13.5 million during the three months ended September 30, 2016 compared to the same period of 2015.

Corporate expenses increased $19.8 million during the nine months ended September 30, 2016 compared to the same period of 2015 primarily resulting from higher expenses related to variable compensation plans and higher employee benefit costs, as well as higher professional fees. Excluding the $2.4 million impact from movements in foreign exchange rates, corporate expenses increased $22.2 million during the nine months ended September 30, 2016 compared to the same period of 2015.

Strategic Revenue and Efficiency Initiatives

Included in the amounts for direct operating expenses, SG&A and corporate expenses discussed above are expenses incurred in connection with our strategic revenue and efficiency initiatives. These costs consist primarily of severance related to workforce initiatives, consolidation of locations and positions, contract cancellation costs, consulting expenses, and other costs incurred in connection with improving our businesses. These costs are expected to provide benefits in future periods as the initiative results are realized.

Strategic revenue and efficiency costs were $6.0 million during the three months ended September 30, 2016. Of these expenses, $2.5 million was incurred by our iHM segment, $0.3 million was incurred by our Americas outdoor segment, $2.1 million was incurred by our International outdoor segment, $0.1 million was incurred by our Other category and $1.0 million was incurred by Corporate. Additionally, $2.0 million of these costs are reported within direct operating expenses, $3.0 million are reported within SG&A and $1.0 million are reported within corporate expenses.

Strategic revenue and efficiency costs were $17.0 million during the three months ended September 30, 2015. Of these expenses, $4.9 million was incurred by our iHM segment, $0.5 million was incurred by our Americas outdoor segment, $7.2 million was incurred by our International outdoor segment, $0.3 million was incurred by our Other segment and $4.1 million was incurred by Corporate. Additionally, $7.9 million of these costs are reported within direct operating expenses, $5.0 million are reported within SG&A and $4.1 million are reported within corporate expenses.

Strategic revenue and efficiency costs were $19.4 million during the nine months ended September 30, 2016. Of these expenses, $11.7 million was incurred by our iHM segment, $1.9 million was incurred by our Americas outdoor segment, $3.6 million was incurred by our International outdoor segment, $0.4 million was incurred by our Other category and $1.8 million was incurred by Corporate. Additionally, $7.1 million of these costs are reported within direct operating expenses, $10.5 million are reported within SG&A and $1.8 million are reported within corporate expenses.

Strategic revenue and efficiency costs were $34.1 million during the nine months ended September 30, 2015. Of these expenses, $8.4 million was incurred by our iHM segment, $1.6 million was incurred by our Americas outdoor segment, $9.1 million was incurred by our International outdoor segment, $3.5 million was incurred by our Other segment and $11.5 million was incurred by Corporate. Additionally, $11.0 million of these costs are reported within direct operating expenses, $11.6 million are reported within SG&A and $11.5 million are reported within corporate expenses.

Depreciation and Amortization

Depreciation and amortization decreased $7.9 million and $29.1 million during the three and nine months ended September 30, 2016, respectively, compared to the same periods of 2015. The decrease was primarily due to assets becoming fully depreciated or fully amortized and the disposal of assets, including the sales of the broadcast communication towers in 2015 and in the first quarter of 2016 and the sales of nine non-strategic U.S. outdoor markets in the first quarter of 2016. Depreciation and amortization decreased $0.7 million and $3.2 million for the three and nine months ended September 30, 2016, respectively, as a result of movements in foreign exchange rates.

Impairment Charges

The Company performs its annual impairment test on July 1 of each year. In addition, we test for impairment of property, plant and equipment whenever events and circumstances indicate that depreciable assets might be impaired. As a result of these impairment tests, we recorded impairment charges of $8.0 million during the three and nine months ended September 30, 2016, related primarily to goodwill in one of our International outdoor markets. During the three and nine months ended September 30, 2015, we recognized impairment charges of $21.6 million, related to billboard permits in one Americas outdoor market. Please see Note 2 to the Consolidated Financial Statements located in Item 1 of this Quarterly Report on Form 10-Q for a further description of the impairment charges.

Other Operating Income (Expense), Net

Other operating expense, net was $0.5 million for the three months ended September 30, 2016, which primarily related to net losses on the sale of operating assets. Other operating income was $219.8 million for the nine months ended September 30, 2016, which primarily related to the gain on sale of nine non-strategic outdoor markets in the first quarter of 2016, partially offset by the loss on sale of Turkey in the second quarter of 2016. In the first quarter of 2016, Americas outdoor sold nine non-strategic outdoor markets including Cleveland and Columbus, Ohio, Des Moines, Iowa, Ft. Smith, Arkansas, Memphis, Tennessee, Portland, Oregon, Reno, Nevada, Seattle, Washington and Wichita, Kansas for net proceeds of $592.6 million in cash and certain advertising assets in Florida. The Company recognized a net gain on these sales of $278.3 million. In the second quarter of 2016, International outdoor sold our Turkey outdoor business, resulting in a net loss of $56.6 million, which included cumulative translation adjustments of $32.2 million.

Other operating income was $6.9 million and $98.7 million for the three and nine months ended September 30, 2015, respectively, which primarily related to the gain on sale and subsequent leaseback of radio towers.

Interest Expense

Interest expense increased $5.9 million and $41.1 million during the three and nine months ended September 30, 2016, respectively, compared to the same periods of 2015, due to higher interest rates on floating rate loans and new debt issuances.

Loss on Investments, net

During the three and nine months ended September 30, 2016 and 2015, we recognized losses of $13.8 million and $5.0 million, respectively, related to cost-method investments.

Gain (Loss) on Extinguishment of Debt

During the third quarter of 2016, Broader Media, LLC, an indirect wholly-owned subsidiary of the Company, repurchased approximately $383.0 million aggregate principal amount of our 10.0% Senior Notes due 2018 for an aggregate purchase price of approximately $222.2 million. In connection with this repurchase, we recognized a gain of $157.6 million.

During the first quarter of 2015, we prepaid certain of our term loan facilities due 2016. In connection with this prepayment, we recognized a loss of $2.2 million.

Other Income (Expense), net

Other expense, net was $7.3 million and $47.1 million for the three and nine months ended September 30, 2016, respectively, which relates primarily to net foreign exchange losses recognized in connection with intercompany notes denominated in foreign currencies, particularly Euro-denominated notes payable by one of our UK subsidiaries.

Other expense, net was $18.0 million for the three months ended September 30, 2015. Other income, net was $18.1 million for the nine months ended September 30, 2015. These amounts primarily related to net foreign exchange gains or losses recognized in connection with intercompany notes denominated in foreign currencies.

Income Tax Expense

The effective tax rates for the three and nine months ended September 30, 2016 were (24.5)% and (13.2)%, respectively. The effective tax rates for the three and nine months ended September 30, 2015 were (1.3)% and (14.4)%, respectively. The effective tax rates were primarily impacted by the valuation allowance recorded against deferred tax assets originating in the period from net operating losses in U.S. federal, state and certain foreign jurisdictions.

iHM Results of Operations

Our iHM operating results were as follows:

(In thousands)	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2016	2015		2016	2015	
Revenue	$857,099	$846,865	1.2%	$2,463,899	$2,385,367	3.3%
Direct operating expenses	229,668	253,848	(9.5)%	704,097	709,503	(0.8)%
SG&A expenses	268,612	272,065	(1.3)%	812,344	799,370	1.6%
Depreciation and amortization	60,691	59,402	2.2%	182,506	179,703	1.6%
Operating income	$298,128	$261,550	14.0%	$764,952		