

ON COMMAND CORP
Form 10-Q
May 15, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2003

OR

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

For the transition period from _____ to _____

Commission File Number: 00-21315

ON COMMAND CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of)

77-0435194
(I.R.S. Employer Identification No.)

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incorporation or organization)

4610 South Ulster Street, 6th Floor
Denver, Colorado
(Address of principal executive offices)

80237
(Zip Code)

Registrant's telephone number, including area code: **(720) 873-3200**

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

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

The number of shares outstanding of the Registrant's Common Stock as of May 1, 2003 was 30,858,340 shares.

ON COMMAND CORPORATION

(An Indirect Consolidated Subsidiary of Liberty Media Corporation)

Condensed Consolidated Balance Sheets

(unaudited)

	March 31, 2003	December 31, 2002
(amounts in thousands)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,036	\$ 4,501
Accounts receivable, net	30,531	33,525
Other current assets	3,245	3,461
Total current assets	36,812	41,487
Property and equipment:		
Video systems		
In service	675,156	668,697
Construction in progress	35,290	37,511
	710,446	706,208
Support equipment, vehicles and leasehold improvements	26,231	26,245
	736,677	732,453
Accumulated depreciation	(467,901)	(457,482)
	268,776	274,971
Goodwill	65,580	65,580
Other assets, net	14,691	14,444
Total assets	\$ 385,859	\$ 396,482

(continued)

ON COMMAND CORPORATION

(An Indirect Consolidated Subsidiary of Liberty Media Corporation)

Condensed Consolidated Balance Sheets

(unaudited)

(continued)

	March 31, 2003	December 31, 2002
	(amounts in thousands)	
<u>Liabilities and Stockholders Deficit</u>		
Current liabilities:		
Accounts payable	\$ 21,596	\$ 28,689
Accounts payable to parent (note 5)	1,191	1,906
Accrued compensation	5,545	6,433
Sales, use and property tax liabilities	4,693	4,585
Other accrued liabilities	7,243	7,987
Current portion of debt (note 4)	833	833
Total current liabilities	41,101	50,433
Long-term debt (note 4)	265,695	261,946
Other long-term liabilities	223	496
Total liabilities	307,019	312,875
Minority interest in consolidated subsidiary	245	259
Redeemable securities:		
Mandatorily redeemable preferred stock	100,110	97,848
Common stock subject to repurchase obligation (note 7)	2,333	2,333
Total redeemable securities	102,443	100,181
Stockholders deficit:		
Preferred stock, \$.01 par value; shares authorized 10,000,000; shares issued and outstanding 98,500 in 2003 and 2002		
Common stock, \$.01 par value; shares authorized - 150,000,000; shares issued 30,977,840 in 2003 and 30,973,989 in 2002	310	310
Additional paid-in capital	297,566	299,398
Accumulated other comprehensive loss	(2,478)	(4,533)
Accumulated deficit	(292,585)	(285,777)
	2,813	9,398
Common stock held in treasury, at cost (119,500 shares in 2003 and 2002)	(1,344)	(1,344)

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Note receivable from stockholder (note 5)	(25,317)	(24,887)
Total stockholders' deficit	(23,848)	(16,833)
Commitments and contingencies (notes 6 and 7)		
Total liabilities and stockholders' deficit	\$ 385,859	\$ 396,482

See accompanying notes to condensed consolidated financial statements.

ON COMMAND CORPORATION

(An Indirect Consolidated Subsidiary of Liberty Media Corporation)

Condensed Consolidated Statements of Operations

(unaudited)

	Three Months Ended March 31,	
	2003	2002
	(amounts in thousands)	
Net revenue:		
Net room revenue	\$ 54,754	\$ 54,254
System and equipment sales and other	1,966	3,129
Total net revenue	56,720	57,383
Direct costs of net revenue:		
Content fees, commissions and other in-room services	27,386	27,884
System, equipment and other costs	862	1,380
Total costs of net revenue	28,248	29,264
Direct margin (exclusive of other operating expenses shown separately below)	28,472	28,119
Other operating expenses:		