WESTWOOD ONE INC /DE/
Form 10-Q/A
November 13, 2001

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 2001 Commission File Number 0-13020

WESTWOOD ONE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	95-3980449
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

40 WEST 57TH STREET, 5TH FLOOR, NEW YORK, NEW YORK 10019
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (212) 641-2000

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 _____

As of August 3, 2001, 107,465,538 shares of Common Stock were outstanding, excluding treasury shares, and 703,466 shares of Class B Stock were outstanding.

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WESTWOOD ONE, INC.

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WESTWOOD ONE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2001
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 2,407
Accounts receivable, net of allowance for doubtful accounts of $10,250 (2001) and $9,356 (2000)	114,973
Other current assets	10,959
Total Current Assets	128,339
PROPERTY AND EQUIPMENT, NET	53,971
INTANGIBLE ASSETS, NET	1,030,127
OTHER ASSETS	10,760
TOTAL ASSETS	$1,223,197
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	$39,554
Current maturity of long-term debt	10,000
Other accrued expenses and liabilities	66,889
Total Current Liabilities	116,443
LONG-TERM DEBT	120,000
OTHER LIABILITIES	28,558

TOTAL LIABILITIES	265,001
COMMITMENTS AND CONTINGENCIES	-
SHAREHOLDERS' EQUITY	
Preferred stock: authorized 10,000 shares, none outstanding	-
Common stock, $.01 par value: authorized, 300,000 shares; issued and outstanding, 131,103 (2001) and 129,300 (2000)	1,311
Class B stock, $.01 par value: authorized, 3,000 shares: issued and outstanding, 704 (2001 and 2000)	7
Additional paid-in capital	1,205,818
Accumulated earnings	83,403
Accumulated other comprehensive loss	-
	1,290,539
Less treasury stock, at cost; 23,678 (2001) and 21,612 (2000) shares	(332,343)
TOTAL SHAREHOLDERS' EQUITY	958,196
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,223,197

See accompanying notes to consolidated financial statements.

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WESTWOOD ONE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended June 30, 2001	2000
GROSS REVENUES	$155,298	$159,176
Less Agency Commissions	21,614	22,675
NET REVENUES	133,684	136,501
Operating Costs and Expenses Excluding Depreciation and Amortization	86,715	91,311
Depreciation and Amortization	17,109	15,628
Corporate General and Administrative Expenses	1,853	2,068
	105,677	109,007
OPERATING INCOME	28,007	27,494
Interest Expense	2,089	2,382
Other Expense (Income)	1,183	(168)
INCOME BEFORE INCOME TAXES	24,735	25,280
INCOME TAXES	12,603	14,636

NET INCOME	$12,132	$10,644
NET INCOME PER SHARE:		
BASIC	$ .11	$ .10
DILUTED	$ .11	$ .09
WEIGHTED AVERAGE SHARES OUTSTANDING:		
BASIC	108,377	111,979
DILUTED	113,544	118,058

See accompanying notes to consolidated financial statements.

WESTWOOD ONE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months E June 30
	2001
CASH FLOW FROM OPERATING ACTIVITIES:	
Net income	$16,732
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	34,116
Other	2,745
	53,593
Changes in assets and liabilities:	
Decrease in accounts receivable	20,577
(Increase) decrease in other assets	(14)
Increase in accounts payable and accrued liabilities	5,192
Net Cash Provided By Operating Activities	79,348
CASH FLOW FROM INVESTING ACTIVITIES:	
Acquisition of companies and other	(2,430)
Capital expenditures	(4,044)
Net Cash Used For Investing Activities	(6,474)
CASH PROVIDED BEFORE FINANCING ACTIVITIES	72,874
CASH FLOW FROM FINANCING ACTIVITIES:	
Issuance of common stock	17,408
Debt repayments and payments of capital lease obligations	(49,761)
Repurchase of common stock and warrants	(44,871)

NET CASH (USED IN) FINANCING ACTIVITIES	(77,224)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,350)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,757
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$2,407

See accompanying notes to consolidated financial statements.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

NOTE 1 - Basis of Presentation:

The accompanying consolidated balance sheet as of June 30, 2001, the consolidated statements of operations for the three and six month periods ended June 30, 2001 and 2000 and the consolidated statements of cash flows for the six months ended June 30, 2001 and 2000 are unaudited, but in the opinion of management include all adjustments necessary for a fair presentation of the financial position and the results of operations for the periods presented.

These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission.

NOTE 2 - Reclassification:

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

NOTE 3 - Earnings Per Share:

Net income per share is computed in accordance with SFAS No. 128. Basic earnings per share excludes all dilution and is calculated using the weighted average number of shares outstanding in the period. Diluted earnings per share reflects the potential dilution that would occur if all financial instruments which may be exchanged for equity securities were exercised or converted to Common Stock.

The Company has issued options and warrants which may have a dilutive effect on reported earnings if they were exercised or converted to Common Stock. The following numbers of shares related to options and warrants were added to the basic weighted average shares outstanding to arrive at the diluted weighted average shares outstanding for each period:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Warrants	1,429	1,593	1,363	1,590

Options	3,738	4,486	3,255	4,535

NOTE 4 - Debt:

At June 30, 2001 the Company had outstanding borrowings of $130,000 under its bank revolving credit facility and available borrowings of $195,500.

In April 2001, the Company entered into a one year interest rate swap agreement covering $25,000 principal value of its outstanding borrowing to effectively fix the interest rate at 4.27% plus the Applicable Margin (typically the Company borrows at a variable interest rate of three-month LIBOR plus the Applicable Margin).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In thousands, except per share amounts)

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2001 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2000

Westwood One derives substantially all of its revenue from the sale of advertising time to advertisers. Net revenue decreased $2,817, or 2%, to $133,684 in the second quarter of 2001 from $136,501 in the comparable prior year quarter. The decrease in net revenue was due to a reduction in spending by Internet companies, as well as a slowdown in the advertising market generally, partially offset by higher revenue from the Company's traditional, as well as, new advertisers.

Operating costs and expenses excluding depreciation and amortization decreased $4,596, or 5%, to $86,715 in the second quarter of 2001 from $91,311 in the second quarter of 2000. The decrease was principally due to tight cost controls, and reductions in affilitate compensation and personnel costs, partially offset by additional operating costs associated with the operations of SmartRoute Systems, Inc. ("SmartRoute"), whose assets were acquired in mid-November 2000.

Depreciation and amortization increased $1,481, or 9% to $17,109 in the second quarter of 2001 as compared to $15,628 in the second quarter of 2000 due principally to the amortization of goodwill resulting from the Company's acquisition of the operating assets of SmartRoute.

Corporate general and administrative expenses decreased $215, or 10%, to $1,853 in the second quarter of 2001 from $2,068 in the comparable 2000 quarter. The decrease is principally attributable to reducing travel and entertainment expenses as well as other discretionary spending.

Operating income increased $513, or 2%, to $28,007 in the second quarter of 2001 from $27,494 in the second quarter of 2000, primarily due to a planned reduction in operating costs, partially offset by higher depreciation and amortization from the SmartRoute acquisition.

Interest expense decreased 12% to $2,089 in the second quarter of 2001 from

$2,382 in 2000. The decrease is principally attributable to lower average debt levels and interest rates.

Other expense in the second quarter of 2001 was $1,183 compared with other income of $168 in the second quarter of 2000, an increase of $1,351. The increase is principally attributable to a non-cash charge to write-down the carrying value of the Company's investments in internet companies, principally Sportsline USA, to its estimated market value.

Income taxes decreased $2,033, or 14%, to $12,603 in the second quarter of 2001 from $14,636 in the second quarter of 2000. The Company's effective income tax rate in the first half of 2001 is approximately 51% compared with a 58% effective tax rate in the first half of 2000. The decrease in the effective tax rate is principally a result of nondeductible goodwill amortization being a smaller percentage of pretax income and lower state tax expense.

Net income increased $1,488, or 14%, to $12,132 ($.11 per basic and diluted share) in the second quarter of 2001 from $10,644 ($.10 per basic share and $.09 per diluted share) in the second quarter of 2000.

Weighted average shares outstanding used to compute basic and diluted earnings per share decreased to 108,377 and 113,544, respectively, in the second quarter of 2001 as compared to 111,979 and 118,058 in the second quarter of 2000. The decrease is principally attributable to the Company's stock repurchase program.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED
WITH SIX MONTHS ENDED JUNE 30, 2000

Net revenue for the first half of 2001 decreased 1% to $255,253 from $258,603 in the first half of 2000. The decrease in net revenue was due to a reduction in advertising spending by Internet companie, as well as a slowdown in the advertising market generally, partially offset by higher revenue from the Company's traditional, as well as, new advertisers.

Operating costs and expenses decreased 4% to $177,156 in the first half of 2001 from $183,655 in the comparable 2000 period. The decrease was primarily attributable to tight cost controls and reductions in affiliate compensation and personnel costs, partially offset by additional operating costs associated with the Company's SmartRoute acquisition.

Depreciation and amortization increased 10% to $34,116 in the first half of 2001 as compared to $31,123 in the first half of 2000. The decrease is principally attributable to depreciation and amortization related to the Company's acquisition of the operating assets of SmartRoute.

Interest expense decreased 4% to $4,935 in the first half of 2001 from $5,126 in the comparable 2000 period. The decrease results from lower average debt levels and lower interest rates.

Net income increased 15% to $16,732 ($.15 per basic and diluted share) in the first half of 2001 from $14,600 ($.13 per basic share and $.12 per diluted share) in the comparable 2000 period.

Weighted average shares outstanding used to compute basic and diluted earnings per share decreased to 108,121 and 112,739, respectively, in the first six months of 2001 as compared to 112,067 and 118,192 in the comparable 2000 period. The decrease is attributable to the Company's stock repurchase program.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2001, the Company's cash and cash equivalents were $2,407, a decrease of $4,350 from December 31, 2000.

For the six months ended June 30, 2001, net cash provided by operating activities was $79,348 as compared to $86,784 for the six months ended June 30, 2000, a decrease of $7,436. The cash flow from operations was principally used to fund the Company's stock buy-back program and to reduce debt.

At June 30, 2001, the Company had available borrowings of $195,500 on its revolving credit facility. Pursuant to the terms of the facility, the amount of available borrowings declines by $4,500 at the end of each quarter. In addition, the Company is required to repay its term loan by $2,500 per quarter in 2001. In the first half of 2001, the Company reduced its outstanding borrowings by $48,000. In April 2001, the Company entered into a one year interest rate swap agreement covering $25,000 of its debt to effectively fix the interest rate at 4.27%.

The Company has used its available cash to repurchase its Common Stock and repay debt. In the first six months of 2001, the Company repurchased 2,033 shares and warrants of Common Stock at a cost of $44,871. Subsequent to the quarter through July 31, 2001, the Company repurchased an additional 1,050 shares of Common Stock at a cost of approximately $31,743.

Recently Issued Accounting Standard

In July 2001, the Financial Standards Board (FASB) issued FASB Statement No. 142 (FAS 142), "Goodwill and Other Intangible Assets." FAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Upon adoption of FAS 142, goodwill will be tested at the reporting unit annually and whenever events or circumstances occur indicating that goodwill might be impaired. Amortization of goodwill, including goodwill recorded in past business combinations, will cease. The adoption date for the Company will be January 1, 2002. As the Statement has only recently been issued, the Company has not yet determined the impact FAS 142 will have on the Company's results of operations and financial position.

PART II OTHER INFORMATION

Items 1 through 3

These items are not applicable.

Items 4 - Submission of Matters to a Vote of Security Holders
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(a) The Annual Meeting of Shareholders of the Company was held on May 30, 2001.

(b) The Matters voted upon and the related voting results were as follows (holders of Common Stock and Class B Stock voted together on all matters except for the election of Class I directors, for which holders of Common Stock voted alone):

1) Election of Class I Directors:

	FOR	WITHHELD
Joseph B. Smith	85,184,832	734,576
Norman J. Pattiz	112,450,446	8,637,962
Mel Karmazin	116,424,638	4,663,770
Dennis F. Holt	117,831,835	3,256,573

2) Ratification of the selection of PricewaterhouseCoopers LLP as the independent accountants of the Company for fiscal 2001.

FOR	895,820,713
AGAINST	45,596
ABSTAIN	53,099

Item 5

Not Applicable

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended June 30, 2001.

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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.

WESTWOOD ONE, INC.

By: /S/ FARID SULEMAN

Farid Suleman

Chief Financial Officer

Dated: November 12, 2001

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